ANDREI VIOREL TĂTAR

RUSSIA'S ECONOMIC POSITION IN THE POST-SOVIET UNION SPACE: THE EVOLUTION BETWEEN 2000-2019



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List of Abbreviatiations

AA Association Agreement
APEC Asia Pacific Economic Cooperation
CIS Commonwealth of Independent States
CSTO Collective Security Treaty Organisation
DCFTA: Deep and Comprehensive Free Trade Area
EaP Eastern Partnership
EBRD European Bank of Reconstruction and Development
EEA European Economic Area
EEAS European External Action Service
ENP European Neighbourhood Policy
ENPI European Neighbourhood and Partnership Instrument
ENI Ente Nazionale Hidrocarburi
EU European Union
EUR Euro
EurAsec Eurasian Economic Community
IMF International Monetary Fund
FTA Free Trade Area
FDI Foreign Direct Investment
GRP Gross Regional Product
GDP Gross Domestic Product
NATO Nord Atlantic Treaty Organization
OECD Organisation for Economic Co-operation and Development
OMV Oesterreichische Mineraloeverwaltungs Aktiengesellschaft
RUB Russian Rubble
SME Small medium enterprise
UN United Nations
UN COMTRADE United Nations Commodity Trade
USSR Union of Socialist Soviet Republics
USD United States Dollar
WTO World Trade Organisation

Russia's economic position in the post-Soviet Union space: the evolution between 2000-2019

Introduction

The main motivation of this thesis is comprised in the change of paradigm, from geopolitics to geoeconomics enforcing the "soft power" terminology. Alongside the ideological motivation is the re-emergence of Russian Federation on the international stage. This re-emergence is scarcely analyzed and presented in literature, and even more, it is rarely linked to geo-economic factors. This process developed in time, and the academic analysis failed to cover this subject because of other urgent issues like the economic crisis, migrant crisis and the wars in the Middle East. It is interesting how the "Russian bear" has awakened after the Ukrainian Conflict and Russia combines military ("hard power") with economics ("soft power"). This things mostly happened because of the Russian need of counterbalancing the economic power of the western bloc, here in name of European Union and its close partners.

As a side (secondary) motivation, in Romania, is, nowadays, a growing concern towards the possible implications of a strong Russian state at the eastern borders of European Union and Romania. This implies concern towards the implications in the economic development of Romania and the Eastern Partnership. The strategic dimension of this new challenger for NATO's security policies has had some very interesting developments as well. Needless to say that the Russian Federation created the CSTO - Collective Security Treaty Organization.[1]

For a better understanding of the concepts and logical structures that I used in my doctoral thesis, I will clarify some of them through a geographical delimitation.

1. When talking about Russia, I also use, as synonym, Russian Federation, or, in the case of historicity or eschatology, Soviet Union. I considered them interchangeable in relation to the historical context.
2. It is necessary also a delimitation of the concept when we are talking about Eastern Europe, I consider the following states: Ukraine, Republic of Moldova and Belarus which are yet not members of the EU and also already joined states of the EU like Romania and Bulgaria. Although Eastern Europe is a broader concept for a larger geographically area, "Former soviet republics" is usually used for countries situated in Eastern Europe but excludes those of the Caucasus like Georgia, Armenia or Azerbaijan.

1 In May 15, 1992, six states of the CIS: Russia, Armenia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan, signed a continuation and a legal framework for the remaining soviet troops on their territories. This treaty transformed later in a military alliance in 2002.

***The Eastern Partnership* as a political tool for European Union aimed at the former soviet republics**. The Eastern Partnership was initiated by Poland and Sweden and was officially adopted at the European Council on the 19th and 20th of March 2009, and had its entry into force on the 7th of May, at the "Eastern Partnership Summit" in Prague.[2]

This new initiative of the European Union was meant to establish institutional relations with states across Eastern Europe that are not yet members of the European Union (states except Romania and Bulgaria), especially former communist ones, that were former placed under USSR buffer policy.[3] This vision of a new approach towards eastern neighbors, was meant to institutionalize the relations between the EU and states across geographical Eastern Europe (which are not yet part of the EU accession treaties).

Other aspects of the Eastern Partnership would imply: consolidating democracy in the member states of the partnership economic development and political stability. Since 2015, the states involved in this political and economic process were: Armenia, Azerbaijan, Belarus, Armenia, Georgia, Moldova and Ukraine. The last state mentioned, Ukraine, has a higher stake in the regional and European context.[4]

The best incentive for creating new policies concerning the countries at the EU's immediate vicinity was the re-emergence of the Russian foreign policy.[5] Russia, especially in Putin-Medvedev period, is showing different foreign policy assertions than in the previous years: Russian corporatism, bilateral agreements with EU, that bypass the common acquis with Member States like Germany, Hungary, and France and even acting as a security provider for states in need, as in the case of Syrian intervention.[6]

We could say that the Russian Federation, or in short Russia, is engaged in a "regional geo-economic offensive" towards the EU, but this happens mainly because of the European leadership crisis.[7] This European leadership crisis is based on the different views and interests of the most important European Union's Member States, which under some circumstances pursue their own national interests. The rhetoric of a so much needed common vision could be a solution in negotiations with the eastern neighbor - Russia, to accept the European views and values. This rhetoric appears since the objective of the European Union to become a single voice in international relations system [8] [9]

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2 "Implementation of the Eastern Partnership: Report to the Meeting of Foreign Affairs Ministers." 2010. https://eeas.europa.eu/archives/docs/eastern/docs/eap_meeting_foreign_affairs_131210_en.pdf

3 "The USSR and the Creation of the Buffer Zone." 2016. CVCE.EU by UNI.LU. August 7, 2016. http://www.cvce.eu/obj/the_ussr_and_the_creation_of_the_buffer_zone-en-56619d3b-d306-4225-bb58-2b82ad3b55ca.html).

4 *BBC News*. 2015. "Ukraine Conflict: Back to Minsk with so Much at Stake," February 11, 2015, sec. Europe. http://www.bbc.com/news/world-europe-31412677.

5 Mankoff, Jeffrey. 2012. *Russian Foreign Policy : The Return of Great Power Politics*. Lanham, Md.: Rowman & Littlefield Publishers.

6 Ibid.

7 Toje, Asle. 2008. "The Consensus—Expectations Gap: Explaining Europe's Ineffective Foreign Policy." *Security Dialogue* 39 (1): 121–41. https://doi.org/10.1177/0967010607086826.

8 Ibid.

9 Bretherton, Charlotte & John Vogler, *The European Union as a Global Actor*, London: Routledge 2006

Russia, as one of the the most important strategic trade partner of the EU[10], especially regarding energy issues, has a rigid policy throughout the process of creating economic breaches in the European Union and, even worse, as in the opinion of Sim Kallas, former Vice-president of the European Commission, even isolating the Member States inside the EU.[11]

Putin's well managed foreign policy is applying not only towards the European Union Member States but even to states that are to be considered "buffer states", which in majority are actual Eastern Partnership members, which struggle to forge political and economic stability.[12] The Russian Federation or Russia, as scholars often call the vast country situated east of the European Union, may be considered the main drive for either NATO, EU or other international organizations as a balance of power between hegemons.

In terms of the technical approach regarding the concepts of geopolitics and geo-economics, the thesis intends to show that the former theories of pure geopolitical thinking are now changing and are being understood within and along with an economic approach. This is where the Geo-economics emerge. Applied to the situation of the EU and the Eastern Partnership, we can opine that politic considerations are now driven by powerful economic motivations.[13]

Economy drives the interests inside Eurasia, and both sides, E.U and Russia, should learn that military power is not out of the game yet: the best example are the Russian investments in military industry which resulted in the annexation of Crimea and the conflict in Ukraine.[14]

This was the first time after the Cold War, when a democratic sovereign state had to make concessions for its administrative state boundaries. The bottom line of all this was that Russia managed to create a conflict situation[15], in order to balance the European "soft power" which uses the "Association Agreements" based mostly on economic considerations.[16]

The new structure of the "European External Action Service" was needed long before Europe Union set it. Today's situation is a direct consequence of the lack of vision in European foreign policy regarding this aspects, that were neglected back in the 90's. Needless to say that Europe did and does not have a unitary view regarding issues outside its frontiers.[17]

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10 "The European Union and Its Trade Partners | Fact Sheets on the European Union | European Parliament." n.d. Www.europarl.europa.eu. Accessed August 13, 2021. https://www.europarl.europa.eu/factsheets/en/sheet/160/the-european-union-and-its-trade-partners#:~:text=The%20US%20remained%20by%20far

11 "Russia's EU Strategy Is to Isolate Member States." 2014. Www.euractiv.com. November 25, 2014. http://www.euractiv.com/sections/europes-east/russias-eu-strategy-isolate-member-states-310316.

12 Stefan Fule, Commissioner for Enlargement and ENP, "Press Corner." n.d. European Commission - European Commission. Accessed August 13, 2021. http://europa.eu/rapid/press-release_SPEECH-14-.

13 Kelley, Michael B. n.d. "This Is the Gas Pipeline Map That Shows Why the Crisis in Ukraine Affects All of Europe." Business Insider. Accessed August 13, 2021. http://www.businessinsider.com/heres-one-economic-reason-russias-invasion-of-crimea-pulls-in-europe-2014-3.

14 Isachenkov, Vladimir. n.d. "Russia Continues Massive Military Modernization despite Economic Woes." Business Insider. Accessed August 13, 2021. http://www.businessinsider.com/russia-continues-massive-military-modernization-despite-economic-woes-2015-2.

15 The Annexation of Crimea in 2015

16 European Union Center of North Carolina EU Briefings, The EU - Russia Relationship: A Flawed Partnership, 2013, accessed 19.02.2016 - http://europe.unc.edu/wp-content/uploads/2013/08/Brief5-0803-Russia.pdf

17 Crowe, Brian. n.d. "The European External Action Service Roadmap for Success a Chatham House Report By." Accessed August 13, 2021. https://www.chathamhouse.org/sites/default/files/public/Research/Europe/0508eas_report.pdf.

The starting of the Ukrainian crisis, in 2014 was the moment when the EU was forced to gather its forces and conclude an agreement with Russia, the Minsk Agreement, signed in 2015. But again, Germany and France entered into negotiations with the Russian Federation, siding Ukraine, so the power vacuum still existing in Ukraine is a continuous problem of the European Union.

All the problems mentioned above will be analyzed using both geo-economic and geopolitical arguments.

Economic issues like: energy (maybe the most stringent at the time being), exports towards Russia, military export agreements, Russian and European investments in Russia and Eastern Partnership countries, and vice versa, are the backbone for the future development for EU and Russia's relations.

Russia is not a democracy that needs to be dealt with by the western democracies, but it may be, one of the efficient ways for Europe to increase its power in global affairs. The topic of "dealing with Russia" started a fading out phase in the last years, and the European Union as a whole together with the European national actors started a new approach, not trying to impose western values of democracy to Russia, although existing frictions are no more the principal subjects in the two-sides' diplomacy. One last impediment needs to be considered: the majority of the EU Member States are also NATO members, which may cause a lot of difficulties inside the decision making groups of Brussels, Paris or Berlin.

In a new approach we need to see Russia as a different ideological system, and try to get it on the course of the western diplomacy, with geo-economic measures and incentives. This is the only way for the Eurasian continent to achieve relative political stability, and long term economic growth.[18]

The thesis will continue its course with the analysis of the countries that are members of the Eastern Partnership and also have strong relations, both economic and political, with Russia. The need for an institutional approach is enlightened in western political debates, and it has been used since the establishment of the Eastern Neighborhood Policy, transforming it in the Eastern Partnership.

The Treaty of Lisbon introduced the European External Action Service (EEAS), and for the first time, it created a diplomatic structure whose role is to oversee external matters of European Union in a unitary way.[19]

Though since its establishment, in 2010, the EEAS functionality is limited.[20] In the search of a common voice of the European Union, the EEAS tried to alleviate the different views of the European Union's members. This didn't happen, and until the time of speaking, national actors orchestrate the external actions of the EU, sometimes with a twist of national interest.

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18 Levitsky, S., and L. Way, *Competitive Authoritarianism: Hybrid Regimes After the Cold War*, New York: Cambridge University Press, 2010.

19 Article 27(3), EU Treaty

20. "The European External Action Service." n.d. Accessed August 13, 2021. http://library.fes.de/pdf-files/id/ipa/06326.pdf. As this report shows, the functionality is yet limited, problems ranging from bureaucracy to a complicated decision process are the base setbacks

The first major action of the new body – EEAS, that needed to be accomplished, was the "EU – Ukraine Association Agreement (AA)" which failed to be signed under the conditions imposed by Yanukovich and, this, threw Ukraine in disarray.[21] After a very complicated process, the "AA" was signed on 21 March 2014, coming into effect just in over 3 years later in 1 November 2017, with huge costs, and territorial losses because of the rebellion in the Donbass Region. Of course, no direct correlation between the two events – the negotiations and signing of the EU – Ukraine AA and the Donbass rebellion, but the redline of analysis takes us to such a conclusion, which is further developed in the chapter dedicated to Ukraine's reorientation to the west instead of Russia.

Some of the European politicians stated that the EU was not able to accomplish such a task because of the lack of leadership and even the lack of perspective for the signatory countries. Some other problems like rigid economic measures and obstacles which couldn't be achieved by Ukraine were also brought to light.[22]

After Ukraine signed the Association Agreement, it seemed to be almost useless because of the great secessionist problems that needed to be dealt with. I consider that one of the reasons for which the European approach didn't work was the lack of knowledge about Ukraine and its internal situation.[23] The functionality of the "AA" is yet to be determined at a larger scale, because the change in structure of the imports and the relative economic instability are fueled by the above mentioned rebellion that is ongoing in eastern Ukraine.

Another aspect that is to be analyzed in this thesis is that of the Russian economic pressure upon the former soviet republics. The analysis regarding Russian instruments of exercising economic pressure on the CIS countries is centered mostly on energy policies, but not only. If we go deeper with the analysis, the result is understanding that Russia used its most attractive product, the energy policies[24], to silently enter western markets with other investments. If we are talking about the Russian pressure on the CIS countries we must at least acknowledge the growing interest showed by Russia for the European Union members markets.

Nowadays, Russian businesses own and control significant shares in a whole range of economic sectors in the EU's Member States, from real estate to military products companies. Russia protects its investments within the concept of "state corporatism" and the best example is Gazprom, which owns significant shares in European based energy companies. This state based company, Gazprom, managed to use its influence on sovereign states, which had to respond with favorable approaches in order to maintain their energetic stability. The best examples of this are Italy, Austria or Germany with their "national champions" ENI, OMW or EON.[25]

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[21] Oksana Grytsenko, "Yanukovych Confirms Refusal to Sign Deal with EU," Kyiv Post (Kyiv Post, January 26, 2013), https://www.kyivpost.com/article/content/ukraine-politics/yanukovych-confirms-refusal-to-sign-deal-with-eu-332493.html.

22 The implementing of European Rules regarding institutions and trade we're to costly as Yanukovych said, and would cause problems in Ukraine – Russia relations, and the trade between EU and Ukraine was not to raise substantially.

23 The conflict in Ukraine as a direct response to the Association Agreement destroyed the economic potential of the country and even affected its boundaries.

[24] According to the European Commission https://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/

25 Gazprom in Austria and Germany has a vast activity: Корпоративизм как форма отношений между государством и обществом, А. А. Галкин, Corporatism as a form of relationship between state and society , AA Galkin, Polis Centre 2010

In this context, we may accept that this way of dealing in foreign policy is the most efficient, involving economics and politics without implying forceful measures like military actions and threats on security. But, this applies to EU and NATO states, not to non-EU and non-NATO member states as, for instance, Ukraine and Moldova .

As a support for the above mentioned aspects, we will choose for marginal analysis Ukraine and Republic of Moldova to emphasize the EU assertion and also the Russian economic influence. The two countries are relevant because of the proximity with the European Union and are being the two members of the former Soviet bloc that had governments who debated a reorientation in international relations, towards EU and the West. The two countries are a staple of analysis relevant for each study that needs to connect political aspects with the economic ones, especially when former members of the soviet bloc are in the matter.

Objectives

Objectives of this research are ranging from theoretical and ideological aspects of the political economy to practical aspects related to the international situation of Eastern Europe, as defined in the introductory part of my thesis.

The theoretical and ideological objectives of the thesis are related to the change of paradigm from geo-politics to geo-economics. This new aspects of the cross boundary thinking and approach are not enough explored and although there is solid evidence in practice, scholars don't tend to acknowledge this aspects in their scientific research. One of the main objectives of my thesis is the symbiotic analysis of the two aspects on the model of Russia's position in the post-soviet space.

As a further exploration and understanding of the ideological objectives, I thought it would be a value added for my study to achieve a better understanding of the two scholars Edward Luttwak and Pascal Lorot, which, even though are not considered mainstream thinkers, have a major contribution to the new developments of assessing the geo-economics. Luttwak and Lorot are two promoters of the idea of geo-economics, which stressed in their writings the change in paradigm and the interdisciplinary assessment of economics. Luttwak with its more applied and accessible writing gained public for a new approach in books like Turbo-Capitalism: Winners and Losers in the Global Economy (London, Weidenfeld & Nicolson, 1998) or The Endangered American Dream: How To Stop the United States from Being a Third World Country and How To Win the Geo-Economic Struggle for Industrial Supremacy(New York, Simon & Schuster, 1993). The other author which is a guide in respect to geo-economics is Pascal Lorot, who created the first definition of geo-economics:

"*Geoeconomics analyzes economic strategies--notably commercial--, decided upon by states in a political setting aiming to protect their own economies or certain well-identified sectors of it, to help their national enterprises acquire technology or to capture certain segments of the world market relative to production or commercialization of a product. The possession or control of such a share confers to the entity–-state or national enterprise–-an element of power and international influence and helps to reinforce its economic and social potential.*"

He continued the analysis of geo-economics in the works like: Introduction à la Géoéconomie, Economica, 1999, Guerre et économie (co-direction of the work with Jean-François Daguzan), Ellipses, 2003

Another objective of my thesis the one coming from the need to have a bi-lateral view both from the Western literature and the Russian one, and is linked to the fact that the Russian scientific literature on Geo-economics is not currently analysed and taken into consideration in most of the research papers dealing with the Post-Soviet Russian space. In this respect, my thesis uses some of the writings in the field, which, until now, were not considered in studies, mainly because of the language barrier.

A further objective is the assessments of the Russian Federation's economic specificities, which are important because of the complexity of the Russian Eurasian space. This aspects lay in the fundaments of Russian economic actions, and for its future strategic and economic position and strategy on the international scene. It is a challenge trying to comprise in a brief analysis the complexity and dynamics of the transformation of the Russian space.

One of the limitations of my research within the thesis is that it is quite a vast period of time that I tried to analyse and explain, concerning the stages of the transformation process of the former Soviet Union Socialist Republics to the Russian Federation and the Commonwealth of Independent States and further to EurAsEC, so that it was impossible to include in my analysis all the important details of this process.

Understanding the former USSR Republics that went independent after 1991, is of outmost importance. The former Soviet Republics are making their game between the two economic models, that of Western market economy and that of Russia's economic system, that is sometimes named "illiberal" by scholars.[26]

As a final goal of the study, I would like to accomplish a number of new points of view in the field of Russia- EU-research studies, and alternatives for a more efficient policy format towards Russia. For building up my arguments, I used the already existing literature on the subject along with statements from politicians and key persons involved in policy making processes at the level of EU or Russian Federation.

In accordance to the above mentioned general objectives, I set the following sub - objectives:

1. Presentation of the concept and role of geo-economics in re-shaping the global order, in the vision of Edward Luttwak;
2. Analysis of the trend in the evolution of the post- Soviet Space, from the geo-economics point of view, between 2000 and 2019
3. Assessment of the Russian space, with its strengths and weaknesses, correlated with its geo-economic position in the post-soviet space but also in relation with the European Union.
4. Assessment of the Russian economic influence in the former Soviet republics along with brief analysis of the intra-regional structure and relations of the Commonwealth of

[26] Lynch, Allen C. "Roots of Russia's Economic Dilemmas: Liberal Economics and Illiberal Geography." *Europe-Asia Studies* 54, no. 1 (2002): 31-49. Accessed July 18, 2021. http://www.jstor.org/stable/826216.

Independent States ,

5. A brief analysis of the two countries which are, more or less, under the influences of EU and the Russian Federation: Ukraine and Republic of Moldova
6. To assess the use, by the European Union, of the Eastern Partnership as an instrument of Foreign Policy in relation with Russia and the former Soviet republics – Ukraine and Moldova.

Methodology

Methodology is important in interdisciplinary research studies and not only, and it is necessary to use a mixture of methods, both quantitative and qualitative for my thesis. These methods address different issues of the study, in our case, different methods for the economic analysis and different for the political factors that are influencing the economic and social ones. These methods will rely on one another; quantitative methods like statistics and economic reports will support political analysis and press releases.

Getting a more detailed view, regarding this complex subject, the sources will primarily consist in: the use of:

a) analysis and synthesis of the scholarly literature in the field;
b) primary sources or *generata* like empirical analysis and observation
c) secondary sources or *capta* which consist of: strategic planning documents, and meeting minutes;
d) reports from national and international institutions and academia, including the Russian language sources that come from the academic environment.

A purposive sampling strategy will be adopted, for example, using data from documents related to the Universities of Moscow, Kiev or Uzhhorod.

A snowball strategy may emerge subsequently. Primary data will be gathered from official reports of government agencies. More on this issue of methodology – it is important to mention that qualitative tools that will be used as well, a small sample of ethnographic research – which is important for the course of the case study regarding Ukraine and its political choice, process tracing – important for aspects linked to decision making bodies from the EU and Russian Federation.

All this tools above mentioned will be argued with economic data and figures, from the international institutions like IMF, World Bank, BERD, European Union etc. The economic data will consist in statistics available in open sources journals and internet sources .

Other sources/instruments of research that need to be mentioned are: negotiation transcripts, corporate intelligence, international surveys and treaties that are already in effect. Other aspects that need to be dealt with in this thesis will be based on publications from the field of geopolitics, international economics and geo-economics.

The analysis will use deductive, inductive, logical-intuitive, historical and descriptive, comparative methods, as well as the method of expert evaluations. It occurs in several stages:

1. Assessment of the Russian foreign policy towards members of the CIS, and its economic assertion towards this countries.
2. Analysis of information about the Eastern European region as a whole, the analysis of the characteristics and dynamics of the development of the region on the basis of the causes and categorization of stages in the formation of the "Eastern Partnership".
3. Historical and descriptive, logical-intuitive methods.
4. Identification of problem sites in the relations in the region of the "Eastern Partnership" on the basis of literature and policy briefs on the subject. It will be widely used logic-intuitive and comparative methods.
5. Analysis of possibilities for the implementation of mutually beneficial economic projects in the region, potential and prospects of cooperation in the region.
6. Analysis of the steps that can be taken the leadership of "Eastern Partnership" countries and the European Union's leadership in order to increase cooperation in the region and to avoid serious discrepancies in the future.
7. Brief analysis of the commercial balance for Ukraine and Republic of Moldova in relation with the Russian Federation and the European Union.

When addressing to such matters as the Eastern Partnership and Russian Federation's role in the economics of these countries, it is very hard to predict any kind of changes because of the high internal and external instability. Another important aspect that brings limitations to this study is the statistic accuracy which for some countries in the Eastern Partnership and CIS is a continuous struggle of acquiring the needed statistics in order to express the real situation.

Research hypothesis. The Russian Federation is facing a re-emergence of its economic and politic power in Eastern Europe and Central Asia, and with this is, it is consolidating its position in a multi polar world, in a leading position.

Research questions. The research questions that led me to this hypothesis are:

1. What is the Russian position, either geographical or economic, in the Eurasian space, and how are the former USSR states still linked to this position?
2. What influence has remained, or regained upon the CIS member states in the last years, based on economic balance of the states in cause?
3. What is the response of the European Union towards the re-emergence of the Russian foreign policy?
4. Is the Eastern Partnership (EaP) a viable response and working framework for the European Union against the Russian Federation's ambitions?

For answering these questions we will analyze the main socio-political economic trends of the states that are the subject of my research focusing on both classical macroeconomic indicators - GDP / capita, unemployment rate, foreign direct investment or trade balance structure (to name a few), as well as indicators that measure the rate of development, with focusing on the national offered statistics where possible. The period that my analysis will cover is between the years 1990-2019, precisely to highlight the efficiency (or inefficiency) of the forms of economic (regional) integration of which these states were / still are part. Also with the help of these indicators we will assert how and to what extent the response proposed by the European Union (Eastern Partnership) can be considered effective and how it can contribute to economic development and stability in the area. Using graphical representations and statistical processing, we will analyze whether the involvement of Russian based actors – companies mostly - have an impact on these states economies.

The emphasis of the economic analysis will not be as the literature usual do it, on resources, but we will try to depict a honest picture of the CIS states and their relation to Russian Federation, regardless of treaties and agreements. It is important to mention that the analysis will be centered on the geo-economics reality of the Eurasian Space and only in tangential conexion with the European Union, and how it has influenced the course of events after 2014. In my opinion, stated in this thesis, it is important to asses not only the quantitative aspects of the CIS economies, in focus Republic of Moldova and Ukraine, but the qualitative aspects, because the socio-economic implications tend to be more important. For example in the case of Ukraine – if agricultural products replace heavy machinery as export product, the implications for Ukraine will be huge.

1. Literature review and fundamental concepts

The problems addressed in this thesis, are basically quite well and thoroughly investigated. The European Neighborhood Policy can be seen in the works of authors such as T. St. George, N.Y. Kaveshnikov, N. Popescu, Andreas Marchetti, Arkady Moshes, Giselle Boss, Elena Korosteleva. "Eastern Partnership" is analyzed in detail by Yannis Tsantulisa, Elena Rakova, Paul Svebody, Martin Lapchinskii, Jos Boonstry and Natalia Shapovalova and Irina Bolgova. Development of the "Eastern Partnership" in the context of EU-Russia relations and the space of "common neighborhood" is analyzed in articles of I.V Bolgova, O.V. Shishkin, M. Strezhneva, Sebastian Schaffer, Michael Emerson and Constanze Stelzenmüller.

The literature review focuses on the authors dealing with the change of paradigm: from Geopolitics to Geo-economics. Geo-economics consist of geopolitical and economic interactions between the regions and countries in the world, allowing us to conclude that we are facing new main events, witnessing the restructuring of the global economic system. The postindustrial world has generated the formation of the new geo-economic system across the globe.

At its core, it constitutes a geopolitical economic approach which aims the liquidation of differences both in domestic and foreign policy, between the national political and economic boundaries.

Analyzing Geo-politics and economics in close interaction with the global geographical environment is the appropriate view of this new way of thinking.

The fall of the bipolar world has clearly demonstrated that the world order is determined by parameters of economy- the military power was replaced by economics. Geo-economic systems are subject of supranational global economy and politics which in turn, ensure the economic stability of national economies.

With the end of the Cold War, the military capabilities of developed states no longer constitute by far the main vector of their power at international level, though this cannot be dismissed (as in the case of Annexation of Crimea by Russia). The period of direct and frontal conflicts, using the firepower and military capabilities between industrial powers ended and was transformed in a new asymmetrical conflict.

The power is now exercised more gently, with rare occasions of coercion; it approaches what Joseph S. Nye has called “soft power”.[27]

At global level, the opening of borders and liberalization of transactions, both financial and commercial, have promoted the emergence of multinational companies with strategies that are truly global. The governments have committed - alongside with their national/domestic companies - to a new political dimension, that of taking control of industries, and markets that are seen as strategic.

The wealth of a nation is the indicator by which its power within the global order is assessed.

In the nowadays environment, in order to become global, political interests of nations submit to their economic interests. This shift is a sign of a new era of geo-economics. With globalization and the opening of national and federal markets and economies, the attitude and ambitions of the global players have changed.

Under the Paretian optimum theory, at global level, free trade was pushed by global competition, exacerbated every day and is increasingly perceived – perception that is perhaps stronger than reality itself - as now being a zero-sum game, where winning back market share, in fact, means to eliminate your opponent.[28]

While it is true that armed conflicts no longer prevail in the relations with the developed countries, the confrontation logic of their relations is still in force, the nature and instruments have changed. In fact, when there is antagonism between developed countries, it finds its expression in forms that are essentially economic. Of course this is the main approach, but recent events tell us that the post Cold War era didn't change that much – the difference being that the fight is being carried on for economic reasons, and the countries’ armed capabilities are now used as an enabler.

Edward Luttwak is considered to be one of the founders of the research studies in geo-economics. In the early nineties, he forecasted the beginning of another type of the international

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27 Joseph S Nye, *Presidential Leadership and the Creation of the American Era* (Princeton, New Jersey: Princeton University Press, 2013).

28 The massive disappearance of companies and clusters in key sectors such as aerospace, automotive and electronics are good examples: Skoda, VAZ, etc

order in which the economic weapons replace the military ones as instruments for states in their battle for power and position on the international stage.[29] "Military threats and alliances lost their importance along with and helped by the “calmer waters” of international trade, as he considers in his book ‘Endangered American Dream’. In the future, he adds, this is the fear of the economic consequences which regulate commercial litigation, and surely more political interventions are motivated by powerful strategic reasons. External threats will still be needed to ensure the unity and internal cohesion of nations and countries, but they will turn into economic or, more precisely, geo-economic ones"[30].

In the classical geopolitical rivalries in which states are fighting primarily about territories, a successor – geo-economy revealed by the collapse or lack of sufficient economic means - the territorial and ideological ambitions of the former Soviet empire and their corollary, the Cold War. This discussion appeared after the dissolution of the USSR.

The objectives of the emerging geo-economics considered by Edward Luttwak, goes towards rivalries and economic influences; and "to maximize employment in highly skilled tech industries and high value-added services"[31].

Edward Luttwak formalizes its approach of "military" offensive words: "In geo-economics, as in war, offensive weapons dominate. Among them, the research and development (R & D), boosted by the support of the state and taxpayers' money, is of paramount importance. Just as the war artillery conquers, by force of fire, then the field will occupy the infantry, and R & D can conquer the industrial field tomorrow to ensure a decisive technological superiority (...). The artillery of the research and development encouraged by the state is crucial, but we also provide assistance to the infantry, that is to say the productive sector (...). the latest offensive weapon is the 'predatory finance'. If the artillery of research and development can not conquer the markets by the simple means of technological superiority, if operating grants awarded in one way or another are not sufficient, we can achieve export, even with very strong competitors by offering loans at below market rates. "[32]

The central objective is to "conquer or maintain an enviable position within the global economy. Companies and states will develop the next generation of airliners, airplanes, computers, biotechnology products, advanced materials, financial services and other high-value products for industries. The next generation of software developers, engineers, managers and specialists in finance are to be American, European or Asian?

Rewarding the winners with the positions and leadership roles; losers will keep the assembly lines, provided that their domestic markets are quite important and that imports of fully assembled products are made impossible by customs barriers "[33].

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29 Edward Luttwak, *The Endangered American Dream : How to Stop the United States from Becoming a Third World Country and How to Win the Geo-Economic Struggle for Industrial Supremacy* (New York: Simon & Schuster, 1993). In this book, which caused a great stir in the United States , he denounced a Japan that does not respect the rules of the global free trade and would not play on the field economic competition market forces . The Japan-US confrontation , he said, is essentially strategic and political in that the Japanese are unfair trade practices undermine US security.

30 Edward Luttwak, *Le Rêve Américain En Danger* (Paris: Odile Jacob, 1995), p. 40

31 Ibid pp. 41-42

32 ibid

33 ibid p. 403.

Today, just as in the past, states define and implement policies of conquest, but the difference is that nowadays they have more economic essence and not military, but still parallelism is possible. The use of military concepts to describe the geo-economic attitudes is in fact characteristic of what is found in Edward Luttwak's speech[34]: "The capital invested or drained by the state are the equivalent of firepower; subsidies for the development of products correspond to the progress of the armament; market penetration with the help of the state replaces military bases and garrisons deployed abroad, as well as 'diplomatic influence'. These activities - invest, seek, develop and find a market - are the daily private companies exercising for purely business reasons. But when the state intervenes, when encourages, assists or directs these activities, it is not the economy 'pure sugar', but geo-economics "[35].

The approach developed by Edward Luttwak undoubtedly marks a useful step in understanding the new international architecture and set of its constituent actors, particularly concerning the positioning of the states. Especially, the emergence of geo-economics as a concept seems essential in that it reflects the input for enforcing economic issues - especially in their commercial dimension but not only, in the agenda of global geopolitics. However, it is not without its critics and methodological inaccuracies[36]. More fundamentally, the approach of Edward Luttwak seems to be too narrow, in many ways, and somehow outdated to actually understand and state the economic and strategic realities of the late twentieth century. First, it should discuss the scope of geo-economics. Certainly it is practiced most often between countries that removed any potential conflicts to generate wars between them.

It mainly concerns developed economies, first and foremost the Triad (United States of America, Western Europe, Japan) who have discharged warlike rhetoric to define their rivalries in the economic field.

But is it legitimately provided to restrict the scope of this new way of interpreting power rivalries solely between Western nations? For instance, in the Latin American and especially Asian literature, researchers in the field have not been able to affirm a strong presence on the international stage by implementing strategies that can be described as geoeconomics.

"Asian dragons" are one of the most representative examples. Of course, they still distinguish from the developed countries in Europe, America and Japan and that they operate, in an uncontrolled geopolitical field, which constitutes a strong factor of vulnerability. Does this mean they lack the capacity to effectively participate in the emerging global new geo-economic logic? How to explain such attractiveness and international economic success of the city-state of Singapore, and even South Korea - even though the argument of low wages is no longer operating - if it does so, at least partially, by the success of market share expansion strategy driven by the public authorities.

The place and role of the state in the formulation of geo-economic policies also needs to be questioned. Certainly the role of the state is central in any geo-economic strategy, since it is the one who determines the geo-economic features and postures, identifying threats, defensive or offensive

34 ibid. 399-402.
35 ibid p. 34.
36 The temptation in hex. Sovereignty to the test of globalization, Fayard, 1996, Elie Cohen criticizes certain theses of Edward Lutwak pondering particular similarities between commercialism and geo-economics as well as the reasons for his call to "arms race geoeconomic ". See pp. 133 to 135.

strategies and means to affect it. -. The state can act with conscience, which is usually the case, but it can also, in some cases, be tricked by maneuvers initiated by a given company, to encourage them to implement a certain geo-economic logic (of confrontation) which ultimately will bring benefits to that company. Most often, however, government and businesses work together - the first helping and supporting the ambitions of the second - in good conscience of strategic imperatives of the one and the other. As a conclusion, the concept of geo-economics is far more global today than originally envisaged; it embraces a truly global scale, which can in no case be limited to Western countries.

If we define it more precisely, we may consider that geo-economics is the analysis of economic strategies - including the commercial one - decided by the States in the framework of policies to protect their national economies or some parts well identified thereof, toin order to control over the key technologies and / or expand on certain segments of the global market related to the production or marketing of a product or a range of sensitive Geo-economics questions not only the relationship between power and space, but a virtual and dynamic space in the sense of its limits constantly moving,

Geo-economic strategies are elaborated mainly by the developed economies as important actors at global level. Heir of the history of the end of the last decades of the 19 th century and the first half of the twentieth century, the concept of geopolitics has fueled controversies for several decades before experiencing a sudden popularity linked to some rebuilding work.[37] Yves Lacoste emphasized that as in "multiple cases where we speak of geopolitics today, it is actually power rivalries on the territories and men in it; in these confrontations of political forces," he added, "each of them uses a variety of means, including arguments to prove that it has the right to want to keep or conquer that territory and, conversely, the claims of its rival are illegitimate[38]." Specifically, he writes, "a geopolitical situation at a given moment of historical development is defined by the rivalry of powers more or less large, and the relationship between the forces that are in different parts of the territory in question "[39].

Ulti Geopolitics is a particular method that locates, identifies and analyzes the conflicting phenomena, offensive or defensive strategies centered on the possession of a territory under the triple influences of geographical environment, taken the physical sense as human, political arguments of the parties to the conflict, and trends and continuities of history[40].

As for geo-economics, it is, as defined above, a method of analysis and interpretation of power relationships at global level. However, fundamental distinctions exist between the two.

The first difference arises from what geo-economics, above all, the fact of states and large companies with the global strategy, which is not the case of geopolitics since not only states, but also businesses and human groups, politically constituted or not, based on historical representations, who participate through their actions in these territorial conquest strategies constitute the field of view of geopolitics.

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37 Pascal Lorot. 1995. *Histoire de La Géopolitique*. Paris: Economica.

38 Yves Lacoste. 2003. *De La Géopolitique Aux Paysages : Dictionnaire de La Géographie*. Paris: A. Colin.

39 Ibid.

40 Pascal Lorot. 1995. *Histoire de La Géopolitique*. Paris: Economica

Another important, if not fundamental distinction, the ultimate goal of the geo-economic policies is not the control of a territory, but to acquire control over technological and commercial issues. As a conclusion, geo-economics appears distinct from geopolitics, so should the emergence of geo-economics mark the end of geopolitics? In other words, should geo-economics replace geopolitics at the dawn of the twenty-first century? The answer is mandatorily negative. However, it stands true, the validity of geopolitics is a step backwards in some developed countries when it comes to explaining the actions of Western states. Certainly, the geopolitical interpretation is useful for a good understanding of a multitude of essentially internal phenomena, but its scope is more limited when it is at the level of the state in its relations with its business partners. The interpretative approach to geo-economics therefore prevails.

2. A brief analysis of the Russian Geo-economics

2.1. Market transformation of the Russian Federation

Russia's position in the global economy is largely determined by the specificities of its space. Territorial density and organization of economic life, infrastructural development of the territory to a large extent affect the competitiveness of the Russian economy and its ability to become a center of regional integration.

The well-known Russian historian Kliuchevsky[41] wrote that Russia's history is the history of a country that had periodical colonization waves, that were quite uneven, reflecting the dynamics of the domestic and foreign political situation in the Russian Empire at the time. As part of the Soviet Union, Russia has developed for decades more inside the Union and, in some respect, in a kind of retained position with the countries belonging to other economic and political systems but communism and command economy. The regional structure of the economy had a tremendous impact because of the "cold war", and the military-strategic competition with the United States and the current member states of the European Union.

[41] Gorky, M. (2001). *Literary Portraits*. University Press of the Pacific. p. 16. ISBN 9780898755800

Figure 1. ***Administrative regions of the Russian Federation***



Source: *https://en.wikipedia.org/wiki/Outline_of_Russia, free copyrights*

The territorial structure of the Russian economy has historically evolved as a chain of economic enclaves (nodes, centers, areas), most of them located in the center of the Federation. The distance between the enclaves increases as one moves towards north and east. The country inherited a vast periphery with an insufficient number of large centers. There are also a number of disparities, demographic and structural which affect Russia's competitiveness as a global actor but also its capacity of control and influence over the former post-soviet space.

For instance, between 2009-2014, the average population density was around 8 persons/ sq. km. The differences between the regions at the level of the population, both from the point of view of the density and number, is uneven.

The most densely populated region is Moscow. Moscow and Moscow region has more than 320 persons/ sq. km, while in 32 constituent entities of the Russian Federation in the eastern and northern parts of the country the population density does not exceed 10 persons per sq. km.[42]

The regions of the Russian Federation with a population density of less than 10 person/ sq. km are accounting for nearly 80% of the territory, and host about 16% of the population. The smaller the number of the population, the lower the density, which may lead to a small number of specializations of the region's economy, with an increase when moving from West to East.

In the same direction, deteriorating infrastructure conditions of economic activity may be noticed. The density of population correlates with the level of the GDP, which also decreases as one moves from the European core of Russian Federation towards the eastern part of it.

The GDP at regional level on the periphery is lower than in the central regions of the country. So, in an area of one square kilometer in the Moscow region (Moscow and the metropolitan area) the gross regional product (GRP) is more than 95 times higher than in Russia on average (respectively 645 million and 677.3 thousand rubles) and 690 times higher than the average for the Far East federal district (93.4 thousand rubles) - the least developed part of the Russian Federation[43].

Therefore, regarding the domestic market, in a much favorable position are the European regions, rather than the Asian part of Russia. For example, in the area situated within a radius of 1 thousand km of Saratov, is located about 40% of Russia's population and more than half of the total GRP is generated in the the same area.

The city of Ulan Ude , the third largest city in the Far East Region has only about 3% of the population and creates about the same share of GRP.[44]

Another feature of the Russian area is the inland placement of the key export industries. More than 60% of the exporting potential industries are located at a distance of 3000 to 4000 kilometers from the European and Far Eastern border crossings. This kind of "inverted model" of placing export production, because of the high transport costs, objectively lowers its rate of return efficiency and, given the price fluctuations on the world markets, is unreliable in the budget projections. This is evidenced by a marked deterioration in the situation of the coal industry in the country due to the fall of world prices for coal, which occurred in the middle of 2005. The increase in railway tariffs, made "Kuzbass Coal" to loose in competitiveness not only on external, but also inside the Russian market.

Some of the distinctive features of the Russian economic area in comparison to other similar countries or regions, located in other parts of the world, in addition to the ones above, are:

a) concentration of a significant part of the economic, scientific-technical and export potential industries that is located in the heart of the Eurasian area;
b) the average low density of population with most of the territory concentrating low levels of population density and industries, and, by this, having a limited market

[42] "Демография." n.d. Rosstat.gov.ru. https://rosstat.gov.ru/folder/12781.
[43] Ibid.
44 SiteSoft. n.d. "Информация для ведения мониторинга социально-экономического положения субъектов Российской Федерации." Rosstat.gov.ru. Accessed August 13, 2021. https://rosstat.gov.ru/folder/11109/document/13259.

capacity;

c) dispersion - the territorial structure of the Russian economy is composed of several major economic regions and centers, proving high disparities between core and periphery. The economic development of Russia was accompanied by the emergence and deepening of differences between individual parts of it, including the investment attractiveness and business environment. These features of the economic area in connection with the multi-ethnic population combined with the multicultural traditions, creates a mosaic picture of the development of Russian Federation geo-economic space.[45]

Market transformation from one economic system to another, but also inside the same economic system, is expressed in trans-regional movements of labor and financial resources, trying to achieve the most favorable ratio between expected income and different economic risks. As for Russia, it is the largest city and metropolitan areas, oil and gas production centers, international communications nodes, which increasingly boost economic life of Russia and are concentrated near the most important cities.

At the same time lagging, remote and poorly developed regions are much slower to adapt to the changing geo-economic situation, as they have performed lower rates of economic restructuring and low investment attractiveness. Most of these regions during the reform years, lost a significant part of accumulated capital (both human and financial) during the Soviet period of development.

Economic activities in the years of market transformation were concentrated on a small part of the Russian territory - in major cities and urban agglomerations. In the context of economic liberalization, Moscow as well as, but to a much lesser extent other major cities of the country received significant financial aid, due to their status and excellence in innovation. The latter can be illustrated by the fact that the level of Internet usage (calculated as percentage of regular users of the web in the number of total population) in 2019 in the Moscow region was 78,9%, in St. Petersburg and the Leningrad region – 79%, while the average index for the Federation was around 75%. This is a significant increase regarding market transformation by introducing access to information and innovation if we consider that , in 2004 the average of internet usage was 1-5%[46]

Between 2005 and 2015, the share of Moscow and the Moscow region in the GRP of the country increased from 14.8% to 22.5%, with the figures for the city of Moscow from 10.3% to 21.1%.

By comparison, the share of St. Petersburg’s region during the same period increased from 3.3% to only 3.8%, and in tandem with the region, the city of St. Petersburg performed from 4.2 to 4.9%.[47] The rapid growth of the capital areas is due to the extremely high concentration of management personnel, scientific information and cultural potential, logistics and commercial

45 “Regionalization in the development of Russia. Geographical processes and problems.” Pod.red. A.I.Trevisha and S.S.Artobolevskogo, Moscow, 2013. («Регионализация в развитии России. Географические процессы и проблемы. Под.ред. А.И.Тревиша и С.С.Артоболевского, М., 2013 г.)

46 “Facts & Figures: Russian Internet Growth and Development.” 2015. Russian Search Marketing. May 19, 2015. http://russiansearchmarketing.com/facts-figures-russian-internet-growth-and-development/.

47 Ibid.

services functions. The capital position led to a significantly higher level of infrastructure than in other regions of the country.

In Moscow, faster than in the rest of Russia, implemented market institutions are an adaptation of the urban economy to market conditions, which gives it an advantage over all other Russian regions in doing business in the Russian and global dimension.

As the capital of the Russian Federation, Moscow has the most favorable business climate among Russia's regions for investment, reflecting its sustained leadership in terms of domestic and foreign investment.

In terms of foreign investment the capital consistently ranks first among Russian regions, taking up half of the financial resources coming from abroad. The rapid economic growth of Moscow became the reverse side of the low capacity of self-development of the majority of Russian regions, due to the peripheral nature of their economies. The share of the major cities in the region's economy during the ongoing market transformation is increasing, due to their institutional capacity to implement reforms, concentrate financial resources and restructuring of their economy. The development process following the centralized economy break-down asked for enormous financial efforts of the government.

For the market, this decentralization process had gone backwards. During 1994 – 2003, the share of the Urals (within the economic region) in GRP of Russia declined from 14.7% to 11.4%, and the regions east of the Urals - from 27.9 to 26.2%, and excluding the Tyumen Oblast autonomous districts – 21.6 to 15.9%. The share of the Tyumen region - the main oil and gas producing region of Russia has increased from 6.2 to 10.3% over this period.

A significant increase in the share in the total Russia's GRP was in the Astrakhan Region and the Republic of Tatarstan, occupying an important position in the production and transportation of hydrocarbons. In other regions the proportion either declined or remained the same. This also affected the regions that has a relatively high potential for innovation - Novosibirsk, Samara and Nizhny Novgorod.

It should be emphasized that the changes in the geography of production of GRP occur on a background of sustained decline of Russia's population from 148.6 million people in 1993 to 143.7 million in 2021.

Between the two censuses of 1989 and 2014, population decreased in 66 and increased in 23 regions of Russia. The dynamics affected the Far Eastern and East Siberian regions. A notable increase in the population - more than 10% was observed in most of the Southern Federal District, Moscow, Belgorod and Kaliningrad regions, and Khanty-Mansi Autonomous Area.

The changes in the geography of the GRP are associated with large differences between regions in terms of investment in fixed assets. In 2003, 10 entities of the Russian Federation with the largest volume of capital investments (Moscow, Khanty-Mansi and Yamalo-Nenets Autonomous District, St. Petersburg, Moscow and Sakhalin regions, Krasnodar Territory, the Republic of Tatarstan and Bashkortostan, Sverdlovsk region) accounted for half of all investment in fixed assets made in Russia.

In the same year, only 23 companies of Russian investments in fixed capital valued were higher than the national average level of 15.1 thousand. Rub. The difference between the maximum and minimum values of this index fluctuated between 340 thousand. Rub. per capita in the Nenets Autonomous District and 2.4 thousand. Rub per capita in the Republic of Ingushetia.

Peripheral areas, devoid of significant export resources, were the most heavily hit by the market transformation. Many of them continue to be in a state of economic depression. Their main features are related to a steady migration and low level of incomes of the population, a high proportion of loss-making enterprises with low or zero profits, proving that the economy lacks or has reduced investments and further reduced potential for innovation.

Poverty is one of the main problems of the peripheral areas. In more than 2/3 of the cases, the Russian share of the population with incomes below the subsistence level exceeds the Russian average, which was in 2020 at 13.4% .[48]

Attenuation of economic activities and performance in Russia confirms the thesis of Durkheim, that in the inevitable economic marginalization market conditions of sparsely populated areas, a small population density does not create the necessary conditions for the social division of work.[49] Thus, the market modernization of the Russian economy, as previously, in the course of development of its space had a focal character, concentrating in Moscow and some other major cities and regions and is closely associated with the production and export of oil and gas.

Gradual upgrade applies to regional centers and near to the adjacent territory. The dynamics of this process is greatly influenced by the potential for innovation, which suffered a substantial reduction in the years of the market transformation, and was most severely affected in the economic weak regions.

Territorial imbalances in principle cannot be avoided, as they are present all over the world, both in developed and less developed countries and regions. The growth of inter-regional differentiation - one of the specificities of market transformation, reflects the emergence of winners and losers in terms of the pace of development for these territories. But a special incentive in this process lies in the countries of low and medium level of development and includes territories of different levels of development and participation in global economic processes.

Compared to other countries and regions, as, for example, in Hungary, Poland, Slovakia and the Czech Republic, the interregional contrasts are not at all similar to the ones in the Russian Federation, as in the mentioned countries the difference of GRP per capita does not exceed 3 times of that of the capital[50].

In China, the differences between the western regions, with a low rate of development, and the capital and developed regions exceed the 10-fold scale and are steadily increasing[51].

In Ukraine, which is and was one of the most developed territories of the CIS countries, the difference between the regions as for the GRP per capita is 6 times, and in Kazakhstan in oil-producing areas in the western part of the country, the GDP/capita is more than 10 times higher than in the agricultural areas of the south.

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48 “Overview.” 2017. World Bank. 2017. https://www.worldbank.org/en/country/russia/overview.

49 Émile Durkheim, Steven Lukes, and W D Halls. 2014. *The Division of Labor in Society*. New York, N.Y.: Free Press. Pp..238-240.

50 Vardomsky L.B. ‘Regional development in Central Europe and Russia. "Russia and Central-Eastern Europe: transformation at the turn of the centuries." M. IIEPS Russian Academy of Sciences, 2004

51 Samburova EN - The geographical logic of territorial disproportionality of China's development in the post-reform period, "geokonflikologii Problems" Volume 2, M., "Press Solo", 2004

In 2009, the GDP per capita in the Tyumen region (with districts) amounted to 57.175 USD and was more than 16 times higher than in the Republic of Ingushetia – 3.544 USD, while the average for Russia was 18869 USD.

As an example of development: in 1995, the differences in this indicator was twice as low, respectively 34.4 thousand. Rub. and 1.9 thousand. rub. while the average index was 9.6 thousand. Rub.

The presence of regional differences, within certain limits, is positive, since they encourage lagging regions to look for ways to increase their competitive advantage. But the achievement of a high level of socio-economic disparities in the regions, poses serious problems. As international experience shows, regional disparities increase social tension, intensifying the contradictions between the center and the regions, fact that may lead, in some cases, to separatist tendencies. Disparities increase the social and political tensions and reduce the power of authority, the investment attractiveness and competitiveness of the economy as a whole. .

The scale of the imbalances can be expressed in terms of the volume of the potential economy. For example, if in all the subjects of the Russian Federation GRP per capita in 2003 would have been as in the Tyumen region, the total GRP of the country would have been 4.4 times bigger than the actual one.

Dimensions of regional differences are a reflection of the magnitude of the range of non-competitive and heterogeneity of economy of the national space.

It is also a good indicator of the effectiveness of economic measures taken for reducing the level of disparities. At the same time, the higher the level of development of the country, the lower, the acceptable level of social imbalances.[52]

Poor infrastructure at a low density of population and economic activities, territorial "gap" between the production of goods and services, seasonality of many Russian enterprises objectively increase the cost of the economic cycle and the economy tends to raise the need for working capital.

Placing most of the basic industries in areas with extreme or difficult climatic conditions increases the manufacturing costs, exacerbating the problem of marketing of goods and services for a particular manufacturer. Under the conditions of expensive loans, current assets are financed primarily by the re-investment of shares of profits, which determines the capability of enterprises to increase it, by raising prices. All of these factors and conditions increased inflation, and on the other hand generated – high risk investment activities.

A special mention should be made about the Moscow region. It has no serious and big dimension competitors in the territory of the country, which may or has already generated control of prices, convert capital functions in additional revenue, hinder the development of other major cities and regions and, by this, causes an increase in inter-regional disparities.

In addition, there were high transport tariffs that cause isolation of remote areas, hindered the liberalization of foreign economic relations, as well as the policy of the regional authorities, aimed at protecting the economic interests of the regional elites.

Nowadays, this is an important factor in the disintegration of structural, economic and socio-cultural differences of individual regions. In some of them like Moscow or St. Petersburg there are many features of the post-industrial economy. At the same time, some regions as a result of de-

[52] "Official Statistics." n.d. Eng.rosstat.gov.ru. Accessed August 13, 2021. https://eng.rosstat.gov.ru/folder/11335.

industrialization actually returned to the pre-industrial stage of development as in the case of Republic of Tuva, Altai Mountains, Chechnya, Kalmykia and a number of autonomous regions.

Noteworthy is the fact that these regions are at the border of the Russian Federation. In this sense, it should be emphasized that the unity of Russia and the economic integration of its space is possible only under the condition that the constituent territories in terms of socio-economic development are moving in the same direction, albeit at different speeds. But when the pace and development level of the regions are in opposite directions, splits are inevitable, leading to disintegration and fragmentation of the Russian space .[53]

Growing disparities and weakening cohesion of the Russian space reflects the economic and social fragmentation of the country, which, of course, poses a threat to its unity. In this regard, it is of interest that according to VCIOM[54], 74% of Russians say that among Muscovites and residents of other cities there is hostility, and at 44% it is a strong dislike for the new-comers.[55] The dynamics of the Russian population is closely linked to its centers of research and investments, so I assume that Moscow, as the capital city of the Russian Federation is a trend setter of the Russian economy.

2.2. Impact assessment of the differences between constituent regions of the Russian Federation on its trade potential

The liberalization and opening of the Russian economy have been a component of the Federation's strategy in increasing its power and position within the global economy. In 2020, the share of fuel and energy products accounted for more than 51% of Russian exports. The share of processed products in the export structure does not exceed 30% .[56] At the same time Russia is a net importer of high technology products and services.

The Russian economy plays also a significant role in the global production of armaments, aero-space industries and transportation vehicles, services , research, and the dynamic development of modern means of communication.

Participation in the global economy puts Russia in a highly competitive, rapidly increasing cross-border mobility of national financial resources and innovative, active penetration of foreign capital into the country's economy, its inclusion in the global production and sales networks.

The liberalization of international economic cooperation is a prerequisite for countries and regions competing for investment, for a place on the world markets and for innovative leadership. Participation in the global economic environment turns to the outflow of the Russian development resources like skilled personnel, scientific and technological development and financial resources,

53 «Главные враги России – евреи и милиция», Коммерсантъ, 6. 12. 2004, с. 11. - "The main enemies of Russia - Jews and the police," Kommersant, 6. 12. 2004, p. 11

54 "VCIOM: Russia Public Opinion Research Center." n.d. Wciom.com. Accessed August 13, 2021. http://www.wciom.com/.

55 Russian economy in 2020. Tendencies and prospects. Vol. 41, Institute for the Economy in Transition, Moscow, 2021, p. 408.

56 Russian economy in 2020. Tendencies and prospects. Vol.41, Institute for the Economy in Transition, Moscow, 2021, p. 409.

in some of the cities and regions, but, at the same time, gives the country a certain chance to use its comparative advantage over foreign investment, attraction of new technologies and participation in the global information networks.

The impact of global processes on the Russian space depends on whether, under what conditions and in what capacity the country is involved in them, and is sustained by its historical developments. A big influence on the inclusion of the country's economic space in the global economy is related to specialization of the Russia’s regional economy, which increases when moving from west to east, infrastructure, large regional differences in the levels of socio - economic development and the export potential.

Territorial imbalances in Russia are largely derived, nowadays, from the concentration of the export and import-substituting sectors. A lot of the financial revenues of the country rely on export activities.[57] The changes in the geography of the economy are based on the traditional international specialization of the Russian economy.

With a sharp predominance of fuel, energy and raw material industries in exports, most of the entities of the Russian Federation have not yet defined their positions in the global economy. In 2003, 25 companies of the Russian exports did not exceed 100 million. USD/company and another 10 are only insignificantly above this value, particularly the ones in the Republic of Tuva, Altai, Adygea, Karachay-Cherkessia, Kalmykia, Komi-Perm, Agin-Buryat and Ust-Ordynsky Buryat Autonomous District.

At the same time, across the country, in 2020, there were 30 regions with exports of more than $ 1 billion, including direct and intermediary deliveries of goods and services: Moscow, St. Petersburg, Tyumen region, (Khanty-Mansi and Yamalo-Nenets Autonomous District), Krasnoyarsk (with the Taimyr and Evenk Autonomous District), Krasnodar and Khabarovsk Territories, the republic of Bashkortostan, Komi, Tatarstan and Sakha, Volgograd, Vologda Irkutsk, Kemerovo, Leningrad Lipetsk Moscow, Murmansk, Nizhny Novgorod, Omsk, Orenburg, Perm, Rostov, Saratov and Chelyabinsk region.

An inter-regional difference in the volume of imports is somewhat smaller. In 2003, from the 88 entities of the Russian Federation, 62 had trade surplus. Negative foreign trade balance is typical for border and coastal areas, which are relatively numerous.

There are also some unevenly placed foreign investments in the regions of the country, their main volume being focused in 10-15 regions: Moscow and Moscow region, Sakhalin, Tyumen regions, St. Petersburg and Leningrad Region, Krasnodar, Omsk, Samara, Sverdlovsk and Chelyabinsk regions. The share of the first ten regions consistently accounted for 4/5 of all foreign investments. At the same time, foreign investment are either not attracted at all or in a very limited extent in the border and coastal regions, and in the other less developed ones all over the Federation. The main territorial and structural advantage of Russia’s participation in the globalization process is the key position of the Moscow region. By concentrating its production to exports and attracting investments, the metropolitan region of Russia is the main gate to the rest of the world. It accounts for over a third of the foreign trade turnover of the country, more than half of the total foreign investment, and provides global services like mediation, banking, consulting, insurance, etc.

57 Andrei Belousov, “Business idea development”, "Expert” Magazine, № 38/2005, p. 64-68 (Russian language)

The Moscow Administration of Custom Duties is accounted for more than a third of all of the customs revenue to the federal budget.

Moscow banks perform about 4/5 of all their financial operations in the country with foreign currency.[58] In Moscow, 105 out of the 346 banks were having important shares of foreign equity participation in 2020[59]. The biggest part of Russia is only slightly included in foreign economic relations, dominated by import-substituting production.

However, in the introverted regions whose economy is focused primarily on the domestic market, the impact of external economic factors is clearly felt through the competition of imported goods, the higher cost of credit, as financial resources are directed, primarily in high-yielding export-commodity production, with a low attraction for domestic and foreign investors. favorable conditions for socio-economic development. The financial situation of companies trading also on foreign markets tends to be more stable than the ones trading only on the domestic market.

The same may be observed about companies dealing with imported goods. In general, in the regions-extroverting a higher revenue generating base, the higher the investment attractiveness, the more opportunities there are to develop relations with foreign partner regions. The higher the influence of external factors on the financial and economic situation of the stronger regions, the higher the rate of foreign transactions.

In December 2020 the share of exports in the volume of total industrial product sales at the level of the Federation reached 35.7%, as compared to 25.2% in December and 24.1% in January 2019.

The import share of the resources processed and traded on the domestic market in December 2020 amounted to 30.8%, as compared to 26.7% in December and 20% in January 2020.[60]

Uneven participation of Russian regions in globalization processes significantly strengthened inter-regional contrasts and weakened the cohesion of the Russian regions by reducing, in particular, long-distance inter-regional economic relations.

In the 1990's this unevenness provoked regional protectionism and threaten the economic integrity of the Federation's space. In addition to the huge differentiation in terms of foreign trade, activities of administrative entities of the Russian Federation also vary within the geographical structure of its foreign economic relations, clearly manifesting dependence of the geographical structure of foreign trade in their geographical location. (Table 1)

The share of neighboring countries is significantly higher in the foreign trade in those regions which border directly with them, such a high proportion being the one of Ukraine in the Belgorod region, and China in the Chita region.

Countries located in Russia's heartland position like Volgograd Oblast, Komi Republic or Krasnoyarsk Territory manifest an obvious attraction to the European market or to the Asia-Pacific market as in the case of the Irkutsk region.

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[58] "Федеральная таможенная служба." n.d. Customs.gov.ru. Accessed August 13, 2021. https://customs.gov.ru/activity/mezhdunarodnoe-tamozhennoe-sotrudnichestvo/uchastie-fts-rossii-v-mezhdunarodnyx-organizacziyax.

[59] "Banking Sector | Bank of Russia." n.d. Www.cbr.ru. Accessed August 13, 2021. https://www.cbr.ru/eng/banking_sector/.

60 "Инфографика." n.d. Rosstat.gov.ru. Accessed August 13, 2021. https://rosstat.gov.ru/folder/70843.

Table 1. ***The main trade partners of Russian Federation's selected regions in 2019***

Region	The foreign export volume, (billion, USD)	Shares of the main trading partners, %
Primorsky region	1162	China - 35.7, South Korea - 24.2, 17.8, Japan, the United States -4.6
Chita region	95	China-82.0
Irkutsk region	2800	China 35.3, Japan 23.0, US 14.0-
Krasnoyarsk region	2920	UK-38.4, US-19.4, -10.1 Netherlands, France, 5.6 Poland -12.6. Germany- 11.3, -9.2 Latvia, Virgin Islands - 10.2.
Volgograd region	1253	Italy, 21.0, 17.4, Greece, Switzerland - 10.0, -5.0 Ukraine
Komi Republic	520	Poland -15.5. Germany- 14.0, -8.2 Latvia, Virgin Islands - 8.
Belgorod region	1032	Ukraine-25.0, Italy- 7.5, Germany- 9
Krasnodar region	2087	Italy - 22.4, -14.0Turkey, Germany- 10.5
Leningrad region	3600	Sweden-37.4, Finland – 10.2, Switzerland, 10.2, US- 7.9
Kaliningrad region	1942	Germany, 20.0, -20.1 Poland, Lithuania-11.1
Russia in total	426720	Germany, 5, 5, Belarus, Italy, 14, China , Netherlands 10

Source: *Regional Institute of Statistics https://ru.rosstat.gov.ru/*

Russian 's foreign economic relations can be divided into three zones: (i) West - which tends mainly to Europe as its eastern boundary coincides with the eastern borders of the Ural Federal District.; (ii) The East zone, which is drawn mainly to the APEC market, its western boundary runs along the western border of the Irkutsk region, and the same zone refers to Republic of Tyva and Altai and (iii) Other regions of Western and Eastern Siberia, which constitute a kind of intermediate or transitional zone.

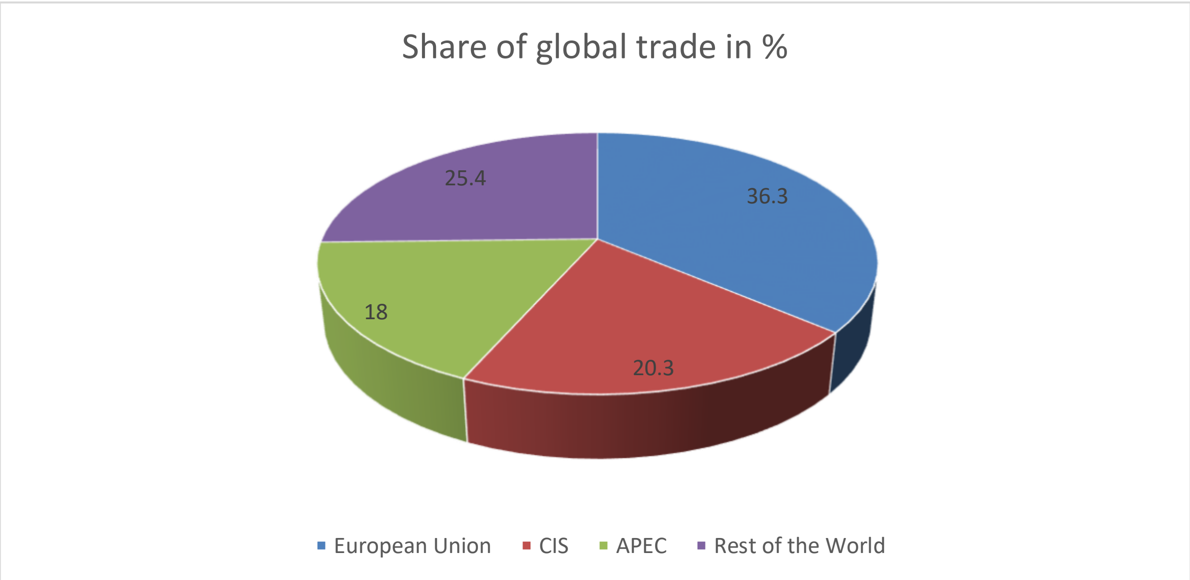
The concentration of a country's exports on the preferred partners placed to the neighboring country or group of countries is not unusual. Western US states have a different geography of external relations than the eastern ones. The same is true for China, north and south of France, Italy, Mexico, etc.

In Russia, the formation and development of the market, as described in introduction, is hampered by long distances, underdeveloped infrastructure and the disparities in regional pace of development. The economic stability of its space provides in-depth placing of the largest export industries, concentration of financial resources and innovative resources in the capital.

A potentially important role in the integration of Russia in the global economy is the influence of EU's, North America's and North-East Asia's positions as global actors and by the wide neighborhood with these major world economies. This allows Russia to develop economic cooperation in various areas and to act as an Eurasian bridge for the global economy.

Features of the territorial organization of the Russian economy determine its economic trading position with the European countries, a special place being the one of the European Union in Russia's foreign trade. Its share in 2020 was of 36.3% of Russia's trade, while the CIS countries' share was of 20.3%, and for the APEC countries -18.0% . (Figure 2).

Figure 2. ***Russia's main global trading partners in 2020***



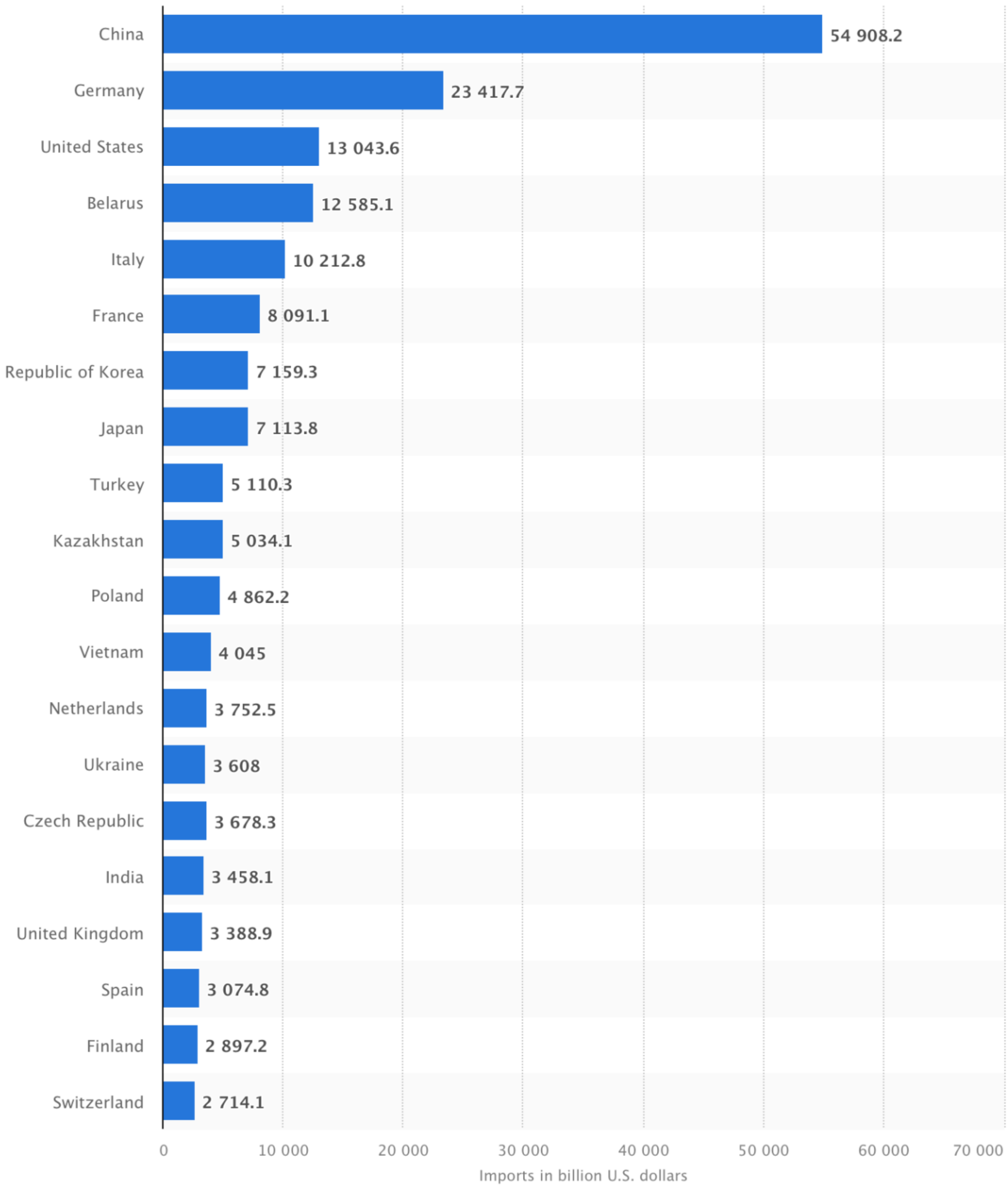
Source: *calculations of the author with data from Bank of Russia.*

In the first ten largest countries for Russian exports in 2020 were on five EU-countries - the Netherlands, Germany, Italy, Finland and the United Kingdom, Switzerland, two CIS countries - Kazakhstan and Belarus, and outside Europe, China and the United States.

For imports, the countries among the top 10 partner countries were EU members - Germany, Italy, France, Finland and Poland, three CIS countries - Ukraine, Belarus and Kazakhstan, China and the United States. Moreover, the structure of the major trading partners remains stable throughout time. The main differences are related to the change in the position of countries within the top ten ones. An important role was played by neighboring countries in Russia's foreign trade. 13 land neighbors and 2 sea neighbors - Turkey and Japan consistently accounted for 35-40% of its foreign trade turnover.[61]

[61] "WTO | Regional Trade Agreements - Area Groups Poppup." n.d. Www.wto.org. Accessed August 13, 2021. https://www.wto.org/english/tratop_e/region_e/region_areagroup_e.htm.

Figure 3. ***Russia's main import partners in 2020, billions USD***



Source: *Statista.com*

EU countries are the largest investors in Russia. In 2020 the first ten investing countries were members of the EU, which accounted for nearly 4/5 of all foreign investments in the country. Simultaneously, the EU countries are the most attractive for Russian legal entities and individuals in terms of capital and the acquisition of the business premises.

The CIS countries are much smaller than the European Union’s member states in terms of volume of trade in goods and services and in terms of the capital assets. The structural economic and institutional terms, but also the risks of the European market is more attractive for Russian companies than the market of the post-Soviet countries.

Entering on an extended market is an important goal for the Russian companies. They are mainly determined by corporate interests and not driven directly by the Russian integration projects. Acquisition of large Russian companies assets in foreign countries due to the desire to reduce corporate risks guarantees the presence on the foreign markets, and by this increase the profitability of the business and the company's capitalization. Businesses developed by Russian companies, some of them state-owned, like Gazprom, RAO "UES of Russia", "Russian Aluminum", "Norilsk Nickel", Lukoil, "Severstal", etc. became international.

A special role in Russia’s international relations is played by the Russian neighboring countries and regions which, as noted above, contribute mostly to the international economic relations.

2.3. The economic impact of the geographical location of regions in the Russian Federation

The nature of socio-economic and ethno-social problems in Russia’s regions are very different. In general terms, it is determined by such factors as:

a) Geo-economic position of the region;
b) The creative potential of the regional structure and regional managers;
c) The accumulated economic potential;
d) Regional financial base and innovative development;
e) International political and economic ties that Russia carried out throughout this region.

On the basis of the criterial data several types of Border Regions can be distinguished:

1. The most prosperous and dynamic type comprise developed regions, with significant innovation and economic potential, widely included in the foreign economic relations like St. Petersburg and the Leningrad Region or Krasnodar Territory.
2. Relatively prosperous type form of border regions covering an important share in international trade and transport routes, like Russia - Astrakhan, Arkhangelsk (including the Nenets Autonomous District), Kaliningrad, Murmansk, Sakhalin region, Khabarovsk and Primorsky Krai, the Republic ofKarelia.
3. A special group of border regions along the new boundaries, which generally adversely affect their socio-economic status. This group of regions can be divided into three subtypes

3.1 relatively prosperous regions with a significant foreign economic potential and is widely included in the cross-border ties - Belgorod, Tyumen, Samara, Chelyabinsk region,

3.2 – regions that are widely included in international relations, but presenting forms of economic setback like Volgograd Orenburg , Omsk, Novosibirsk, Saratov, Rostov region and,

3.3 - regions weakly included in the foreign economic relations and featuring explicit backward development like Altai region, Bryansk, Voronezh, Kursk, Kurgan, Pskov or Smolensk.

4. A clearly distinguished types of regions, which are remote, economically underdeveloped or undeveloped and have a very low level of innovation. In this group I mention areas like Kamchatka and Magadan , Chukotka and Koryak Autonomous Republic of Altai and Tyva.
5. Border regions with economic desolation; there is a separate group of Far Eastern and Eastern Siberian regions, which play an important role in transport routes with China and are widely included in the cross-border cooperation, but with a weak export and innovation base and pronounced features of economic setback, like the Republic of Buryatia, Chita and Amur, or the Jewish Autonomous region.
6. Problematic type of BR situated in the North Caucasus republics with Kalmykia, which are characterized by high level of unemployment, low incomes, very low innovation, the weak involvement in foreign trade, including cross-border ties etc. The most problematic border regions are with Georgia, Azerbaijan, China and Mongolia, Japan, Norway and Finland .

Regions bordering the Baltic States, Belarus, Ukraine, Kazakhstan and China, have a GDP per capita within 40-80% of the average for the Russian Federation. A more favorable socio-economic situation is present in the regions bordering the EU, and the most difficult situation lies at the border regions with Azerbaijan and Georgia (Table 2).

Table 2. ***Some specific indicators of socio-economic status in 2019 Russian border regions: The Border with EU countries***

Border regions	GRP per capita. thousand. rub.	Foreign trade turnover per capita. dollars.	The average monthly gross salary rub. \ pers	Tensions in the labor market, the number of unemployed per 1 vacancy 1.01.2019
Murmansk region.	**105,1**	**1100**	**36000**	**17.0**
The Republic of Karelia	**67.8**	**2060**	**26471**	**7.9**
Leningrad region.	**79.8**	**2596**	**5699**	**5.8**

St. Petersburg region	**94.3**	**1874**	6865	**1.8**
Kaliningrad region.	**54.0**	**2704**	**4947**	**4.0**
Pskov region.	**40.4**	**475**	**3822**	**10.9**
Russia on average	***80.3***	***1323***	***5509***	***7.4***

Table 3. ***Some specific indicators of socio-economic status in 2019 Russian border regions: The border with Azerbaijan and Georgia***

Border regions	GRP per capita. thousand. rub.	Foreign trade turnover per capita. dollars.	The average monthly gross salary rub. \ pers	Tensions in the labor market, the number of unemployed per 1 vacancy 1 .01.2009
Krasnodar region	**51.2**	**456**	**4198**	**8.6**
Karachay-Cherkessia	**27.0**	**62**	**3001**	**44.0**
Kabardino-Balkaria	**30.0**	**22**	**2881**	**52.2**
North Ossetia	**29.5**	**185**	3199	**22.3**
Ingushetia	**10.1**	**32**	**4164**	**761.0**
Dagestan	**21.1**	**53**	**2470**	**216.0**
Russia on average	***80.3***	***1323***	*5509*	***7.4***

Source: *State Statistics Committee of Russia (Госкомстатом РФ)*

Over the period of 1994-2009, most of the Border Regions's (BR) share in the total gross regional product (GRP) of the Federation has decreased. It increased in only 12 of the 48 regions of the Russian border, most of them rich in resources of oil and gas. In 27 regions there was a significant decline in the share, and the remaining 9 regions basically have not changed.

In general, the total share of 48 entities of the Russian Federation border (excluding Chechnya) in the total GRP of Russia decreased from 46.4% in 1994 to 44.0% in 2002, excluding the reduction in the Tyumen which was more significant and amounted for 6.6%.[62]

62 Calculated on the basis of "Regions of Russia. Socio-economic indicators in 2004 "Mikhail, FSSS 2004

The dynamics of GRP for the border regions is a refraction of the investment activity in the regions in the 1990-ies and at the beginning of the past decade, 2011-2020. In 2003 the border regions attracted 8.2 billion. USD, or about 27% of all foreign investments (FDI) hosted in the Federation.

For comparison - the Moscow region (Moscow and metropolitan area) attracted 51% of all FDI**,** the Khanty-Mansi Autonomous Area - 10,6%, and the Sverdlovsk region - 4.4%.

The foreign direct investments on border regions are placed uneven. The first ten border regions - the largest beneficiaries of FDI are Sakhalin, Omsk, Chelyabinsk, St. Petersburg, Republic of Sakha, Samara region, Krasnodar, Leningrad and Rostov and Nenets Autonomous District which accounted for about 92% of the total.

Different regions vary in investment attractiveness, still, they are inferior to the average of the Russian Federation. (Table 4)

Table 4. ***The distribution of foreign direct investments by region in Russia, located on the border with Finland, Belarus, Ukraine, Kazakhstan and China in 2020***

Entities of the Russian Federation border with:	FDI, total (bn. USD)	FDI per capita (USD)
Finland	189,0	24,8
Belarus	10,9	4,2
Ukraine	78,0	13,0
Kazakhstan,	447,6	15,2
China	174,2	10.2
Russia as a whole	**31,735**	**71.0**

Source: *State Statistics Committee of Russia (Госкомстатом РФ) 2020 https://eng.rosstat.gov.ru*

The average value of foreign direct investment (FDI) per capita in the regions bordering Ukraine and Kazakhstan, are more than 3 times the average and almost twice the average for the region, located on the border with Finland (Leningrad and Murmansk, Republic of Karelia, St. Petersburg). The relatively high rate regions bordering Ukraine, due to the high investment activity in the Krasnodar region, which in 2009 accounted for almost 70% of FDI are located at the regions of the border with Ukraine.

It is notable that in the Ukrainian regions bordering Russia (6 regions and the Republic of Crimea), the volume of direct foreign investments per capita average in 2009 amounted to $16, this refers only to the proximity of the Russian border.

In the Russian-Kazakh border region the Tyumen region accounts for 2/5 of FDI placed in this part of the border perimeter. An extremely small part of the FDI comes from Bryansk, Pskov and Smolensk regions, at the border with Belarus. It should be underlined that the Russian Federation's entities, located on the border with Georgia and Azerbaijan, hardly attract foreign investors.

Most attractive for investors are the regions rich in natural resources, with large export potential and extended regional markets. On the border with Finland and Norway - 6.6% (4 regions), the Baltic states and Poland, slightly ahead of Russian GDP per capita - 4.8% (3 regions), Ukraine and Belarus - CIS countries in Russia to the level of 15.7% (8 regions), with Kazakhstan, also close to the Russian GDP value per capita - 34.4% (12 regions) with Russia far behind Georgia and Azerbaijan - 5.6% (7 regions), with concessions to Russia on the per capita GDP of China, Mongolia, North Korea - 34.9% (11 regions).

Russia borders with Buddhist, Islamic and Western cultural systems, and the old boundaries at the same time serve as the cultural borders of Russia.

The boundaries of Russia in the Far East, and Finland and Norway in the North West are both cultural and political boundaries. The border with Mongolia is not a threshold for culture abroad, as the Republic of Buryatia and Tuva are close to the Mongol Lamaist cultural system.

The new borders with Belarus and Ukraine pass through the territories of homogeneous culturallity. Regarding the Caucasus borders, it is contiguous with the countries belonging to different cultural systems. In a significant part of the cultural line (Islamic) shifted into Russia.

The border with Kazakhstan is the one neighboring the Islamic world. Due to the high proportion of Russian population in the border regions of Kazakhstan and Russia we can observe a cultural bias abroad regarding the state border into the country. The inherited poor infrastructure, low level of economic development and no innovation of most border regions determine the average very low rates of modernization of their economies. The border zone of economically weak regions reduces the country's competitiveness in the global economy and hinders economic cooperation with neighboring countries. The economic development of Russia's relations with the EU and China is largely determined by the manifested interest coming from those countries; they had a strong economic impact on Kazakhstan's neighboring Russian regions.

Russian border regions are lagging behind in terms of their development of the regions of neighboring countries which could fall to potential separatism and that should not be underestimated.

2.4. Russia's position in The Commonwealth of Independent States

After the dissolution of the Soviet Union, Russia had no reasonable alternative to the expansion and deepening of cooperation within the former Union's constituent states, but the

participation in the integration processes of the post-Soviet space within a new economic and political structure.

The creation of several favorable conditions for domestic companies by concluding various kinds of preferential trade agreements, the formation of trading blocs and integrative structures are considered as main vectors for enhancing the position on the global market for these states.

Figure 4. ***CIS member States (active and inactive) as of 2020***



Source: *slidemodel.com*

In terms of geo-economics, in the interest of national security and the preservation of the Russian economic needs in the formation of a broad zone of integration and stability in the CIS, the integration vector of Russian policy in the CIS meets the strategic objectives of modernization and diversification of the national economy, transferring it to an innovative path of development. Integration benefits are tangible because of the restructuring and modernization of the Russian industry, stimulating industrial cooperation and intra-industry trade. A stage of the modernization process received an additional input as a result of the free movement of goods, services, capital and labor in the CIS region.

The creation of Russia's new economic policy in the post-Soviet space was delayed. Since the collapse of the Soviet Union, the main features of the declared common economic space in Eurasia weren't as clear identified, thus there is no holistic view on it.

Russia needs to develop and submit a new doctrine of relations, which implies concrete steps to strengthen and enhance the attractiveness of multilateral cooperation within the CIS, providing the economic consolidation of the post-Soviet space and getting real benefits for all the parts involved.

The global financial and economic crisis in 2008-2010 sharply raised the question about the potential and sources of further development in the global economy for the individual countries and has led to increased competition among the major powers for spheres of influence and resources.

The CIS region is the zone of intersection of the strategic interests of some of the world's major centers of power, and in the coming years the Commonwealth of Independent States may be in the middle of the battle for getting more influence at global level.

In the context of the revitalization of the leading powers in the space of CIS is necessary to develop an effective and carefully calibrated policy, on the basis of which it can be possible to formulate a geo-integration approach of "soft" reintegration of a substantial part of the post-Soviet space in the open trade and political format, a practical way to create a wide Eurasian zone of cooperation that allows to ensure Russia's long-term interests in the CIS.

A distinctive feature of the economic configuration of the former Soviet Union, is the rationale for building relationships in the CIS – with Russia, as it de-facto accounts for over 70% of the total regional gross domestic product (in parity prices), 76-77% of the total oil and gas production, and more than 2/3 of total exports of goods and services.

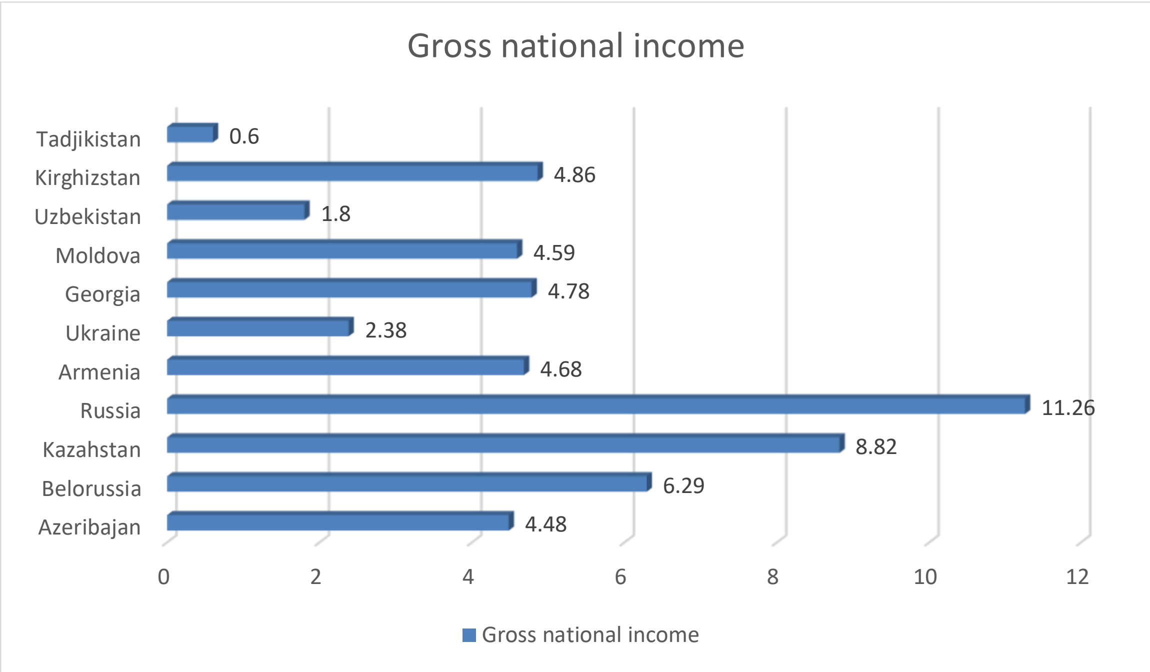
Until 2014 the combined gross domestic product (GDP) of the four largest CIS countries (Russia, Belarus, Kazakhstan and Ukraine) in the Russian Federation (RF) accounted for almost 80% of the GDP. As for the Eurasian Economic Community (Russia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan) it accounted for almost 90% of GDP, and in the countries of the Customs Union (Russia, Belarus, Kazakhstan) – about 90%. The entire GDP of the CIS countries, including the low-income countries (Armenia, Georgia, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan) do not exceed 7% of Russia's GDP. (including Georgia, hereafter given its relatively recent release of the Commonwealth, de jure)[63]

The Russian economy is 160-165 times bigger than those of Kyrgyzstan, Moldova and Tajikistan, and about 100 times larger than the economies of Armenia and Georgia. Gross National Income per capita in Russia in 2008 was 3 times higher than in Ukraine, 6.5 times higher than in Moldova, 11-16 times higher than in Uzbekistan, Kyrgyzstan and Tajikistan (more on the level of per capita income CIS countries in Figure 1).

Despite the general economic Russian domination in the CIS, a number of imbalances point directly to the Commonwealth the importance for sustainable development, Russia produces over 70% of regional GDP, has only 50% of the total population, or, extracting 77% of all the oil in the CIS, has only 62% of total proved reserves of this fuel, and ore minerals, more on the contribution of Russia and other CIS countries in the total resource potential of the Commonwealth (Figure 2).

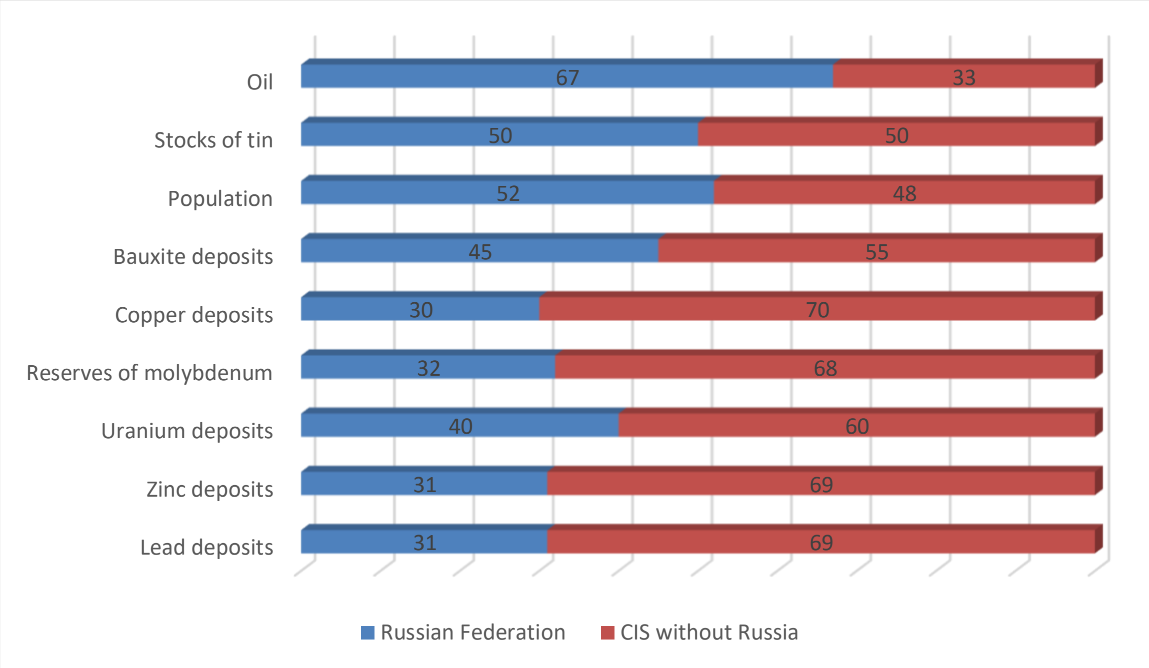
[63] "Banking Sector | Bank of Russia." n.d. Www.cbr.ru. Accessed August 13, 2021.

Figure 5. ***The level of the Gross National Income per capita in the CIS countries, in 2019 (thousands USD)***



Source: *World Bank, and WTO*

Figure 6. ***Comparison between Russia's contribution to other CIS countries in the total outcome of the Commonwealth: population and mineral reserves (as for 2019)***



Source: *World Bank, and WTO*

An important difference between Russia and other CIS countries' economic potential causes a gap in the objective interests of the parties involved in the development of regional trade and economic cooperation.

Partners such as the CIS countries, mostly seek their own interest in maximizing the ongoing benefits of obtaining various kinds of subsidies (direct and indirect), and preferential access to the Russian market. Commonwealth countries are the living space needed to save Russia's status as a great power, to ensure its own sustainable development, in order to maintain the integrity of its business climate. More specifically, Russia needs:

a) To form a functional common economic space in the CIS with a wide access to the borders of the European Union and the Asia-Pacific region so as to fulfill the mission of an Eurasian power;
b) Access to the exploitation of the mineral resources of CIS countries in order to strengthen its own resource base, as well as to enhance its role in the global commodity markets and as the guarantor of international energy security;
c) Effective commercial presence in the capacious, generally liberalized Community market;
d) Irrational avoidance of competition with the CIS countries on world markets through the implementation of joint projects in the processing of primary resources (eg, for the production of refined nonferrous metals projects, mineral fertilizers in the CIS, and others, in which Russia itself is a leading exporter).;
e) Access to the surplus of labor force from the CIS countries, which have no other alternative, resulting in a rise of Russia's population and labor, thus resolving demographic problems by also considering the high adaptability of labor migrants from the CIS to the

conditions in Russia;

f) Access to the intellectual, largely Russian-speaking, elite of the CIS countries to fill the gap produced by the "brain drain" to the West and to stimulate innovative processes in the Russian economy;
g) Access to the most important assets, ensuring the stability and predictability of cooperation in areas of strategic interest for Russia (in the defense, nuclear, aviation, space industry);
h) To establish an active cross-border trade along the perimeter with the borders of the CIS to encourage and give the complex nature of the economic development of the Russian border territories (which include almost one third of the Russian Federation);
i) The use of geo-strategic potential of the CIS, including as a transit territory.

It should be kept in mind that the basis of Russia's geo-economic relations with CIS countries raises a number of important consequences of economic, trading and political nature.

First, this refers to demanding financial transfers from Russia in respect to the CIS. Another thing is that the directly and indirectly resulting costs in the Commonwealth must clearly relate to the receipt, including the benefits listed above, of geo-economic nature. It is important to understand, due to how (what actions and tools) and at what time these benefits are provided.

Secondly, preservation of asymmetry in economic cooperation results - deferred for Russia and for the immediate partners in the CIS, causing the Russian to side periodically arise from the desire to restore “status quo” and to achieve immediate benefits. The latter, except in cases of unfair competition and a clear violation of Russian economic interests, achieving Russia’s long-term objectives in the CIS may prove difficult.

Thirdly, the asymmetries shown as results of cooperation causes varying interest rates and in the deepening of the integration process. ‘*Ceteris paribus*’ - Russia is more interested in real progress on the path to integration, since the system integration agreements and the formation of a single economic space would assume a stronger Russia, & those pillars are necessary and sufficient conditions for obtaining geo-economic benefits. In turn, other Commonwealth countries with substantial current dividends from cooperation with Russia, yet not so much interested in the final results of integration projects, as in the process of integration, in which they may receive additional resources and privileges from Russia.

3. Economies of the CIS countries

3.1. General Background

CIS countries (without Russia, if not specifically) play a modest role in the world economy: in 2019 they accounted for 1.9% of global GDP and 1.7% of global exports for goods and services.

At the same time, in a number of industries and government sectors, the Commonwealth takes strong positions, in particular in the energy markets. In 2019, Kazakhstan and Azerbaijan accounted for over 6% of the world's oil exports, Turkmenistan - more than 6% of the sales of natural gas, ferrous and non-ferrous metals, Ukraine - more than 5% of the global exports of ferrous metals to Kazakhstan - 4-5% of the exports of copper and zinc), mineral fertilizers (in the amount of Belarus and Ukraine - 7-8% of world exports), wheat (supplies from Ukraine and Kazakhstan exceeded 10% of global sales), raw cotton (Uzbekistan and Turkmenistan share in global exports - 14-15%).

Kazakhstan and Uzbekistan provide 25% of the total world uranium production, and Kyrgyzstan along with Kazakhstan and Uzbekistan provide 4% of the world gold production.

In the global stocks of strategic minerals, CIS's share is 5-10%, and for certain types like uranium, zinc, lead, etc. - more than 10% (for details on the meaning of the CIS countries in world reserves and production of the most important minerals in the Table 5).

The development of CIS economies in the 2000s was determined by diverse factors. One of the most important is the significant recovery growth of the economy, after the crisis of the 1990s amid the prevailing low competitiveness of national industries, and also a sharp increase in imports, particularly in investment and consumer goods from foreign countries.

Table 5. ***Value of the CIS countries in world reserves and production of the most important mineral resources (reserves - at the beginning of 2018, production - in 2019 .; as % of world total)***

Mineral product	Stock	Extraction
Oil		
CIS (excluding the Russian Federation)	8.4	4.9
Russian Federation	6.3	12.1
Natural Gas		
CIS	7.4	6.2
Russian Federation	23.4	26.2
Coal		
CIS	8.4	3
Russian Federation	19	5.1
Uranium – Ukraine and Uzbekistan		
- CIS	24.2	24.9
- Russian Federation	11.4	7.2
Nikel – Ukraine and Kazahstan		

- CIS	2.8	0.1
- Russian Federation	9.4	18
Bauxite – Ukraine and Kazahstan		
- CIS	1.3	3
- Russian Federation	1.1	3.1
Copper – Kazahstan, Uzbekistan, Armenia		
- CIS	7.4	3.4
- Russian Federation	3.8	4.7
Zinc – Kazahstan, Armenia		
- CIS	13.5	3.6
- Russian Federation	6.2	1.7
Lead – Kazahstan, Uzbekistan, Tadjikistan		
- CIS	11.7	2.1
- Russian Federation	4.8	3.1
Tin – Kirghizstan, Kazahstan		
- CIS	4.3	0.3
- Russian Federation	5.3	0.8
Cobalt – Kazahstan, Ukraine		
- CIS	0.7	0.5
- Russian Federation	4.9	8.0
Tungstern/Wolfram – Kirghizstan, Uzbekistan, Tadjikistan, Kazahstan		
- CIS	4.7	3.6
- Russian Federation	8.3	5.9
Molybdenum		
- CIS	5.9	0.7
- Russian Federation	2.8	1.6
Gold – Uzbekistan, Kighizstan, Tadjikistan, Kazahstan		
- CIS	7.2	5.3
- Russian Federation	9.6	7.5

Source: *BP Statistical Review of World Energy, June 2019; Federal State Unitary Enterprise "Mineral"; US Geological Service*

The total GDP of CIS countries grew in real terms by 1.9 times in 2008 versus 2000 and with on average 5 times in 2019, while the volume of import of goods from abroad increased by 7.6 times (intra-import without importing the Russian Federation from the CIS, for the same period increased by 4.7 times, mainly due to higher prices for energy and metal).

Deliveries of goods from the People's Republic of China (PRC) to the CIS increased in 2019 compared to 2008 for about 45 times, and compared to the level of 2004 by 6.7 times

Exports from the 27 European Union countries (EU-27) in 2019 against 2008, which increased by 5.2 times.[64]

A situation existed, when all the needs of most of the Commonwealth countries in the products of the manufacturing industry, equipment, technology, consumer goods began to be suffocated by imports from other countries, which has become a significant factor in the integration processes and increased centrifugal trends in the region.

[64] “Статистика военных лет.” n.d. Rosstat.gov.ru. Accessed August 16, 2021. https://rosstat.gov.ru/folder/81831.

On the other hand, low competitiveness in the manufacturing sector against the backdrop of rising world prices for basic commodities and materials has led to the weighting structure of the industry and exports of the CIS countries, and by this, it led to the formation of predominantly low-tech international specialization.

Exports of almost all the CIS member states, in varying proportions, consist of energy, metals, fertilizers and various kinds of industrial and agricultural raw materials. It is characteristic that in the export of the most industrialized countries of the CIS the mineral products, metals, basic chemicals and fertilizers have an important share (Table 6),

In fact, the structure of exports in the 2000s delevoped, approaching more and more the competitors, losing complementarity and moving to the leading position, which also greatly reduced the incentives to integration. In terms of general political weighting of the economic structures of the CIS, accompanied by production and capital concentration, alongside with stimulating the process of centralization of political power, the focus on specific interests often, do not coincide with the plans for deepening the regional integration and cooperation with Russia. As a result of these processes of mutual trade between CIS countries that have developed in recent years, it is still much slower than the exchange of goods with foreign countries. Its share in total turnover (including Russia) just for 2008-2019 decreased from 21.5% to 19.2 %, including import - from 27 % to 25%. The share of trade with third countries in total trade turnover of the CIS countries without Russia has increased over the same period from 66% to 72%, including exports - from 76% to 78%, imports - 54% to 60%.

Table 6. ***Commodity exports' structure from CIS countries (in current prices, as% of total)***

Product groups	Russian Federation		CIS (wihout Russia)		CIS- energy exports		CIS – energy imports	
	2008	2019	2008	2019	2008	2019	2008	2019
Mineral products	69.6	70.2	52.6	51.3	82.7	85.2	19.2	17.2
Base metals and articles made of them	13.3	15.2	19.2	18.4	9.4	10	30.1	28.3
Machinery, equipment and vehicles, apparatus, devices, watches	4.9	4	8.5	8	1.2	2.2	16.5	19.5
Total mineral products, base metals and articles made of the above.	82.2	84.3	71.8	70.1	92.1	93.2	49.3	50.3

Source: *calculations based on national statistics and the CIS International Statistics Committee of the CIS (CIS-STAT), http://www.cisstat.com*

By comparison: in 2008, the share of intra-regional trade weight for the EU-27 reached 65%, and between the NAFTA countries (US, Canada, Mexico) was about 40%. The high rates of recovery growth of the CIS countries' economies in the 2000s, even for the ones less developed, are accounted for the exporters of energy resources.

The unprecedented rise in energy prices allowed Azerbaijan by 2008 to increase the GDP by 3.5 times compared to 2000, Kazakhstan - 2 times, Turkmenistan - 2.9 times.

Oil production in Azerbaijan in this period increased by 3.2 times, gas - by 2.9 times, in Kazakhstan - by 2.0 and 2.9 times, respectively, the gas production in Turkmenistan - 1.6 times (compared to 1998 by 5.5 times).

Despite the relatively strong economic growth of the CIS countries in the past decade, its financial position as a whole remains fragile. In different periods, there were significant spikes in inflation; most countries have a chronic budget deficit and a major shortfall in the current account balance of payments.

The period of economic development between 2000-2008, before the crisis, as presented in the table above was the best for the Russian Federation and the CIS economies. In the same time, large deficits of the current balance of payments were observed not only for the net energy importers and countries with a narrow export base, but also in the net energy exporters, the explanation being in connection with large-scale purchases of oil and gas equipment and services in the framework of joint projects, as well as excessive external borrowing with short terms for payment. And if we look by comparison, in 2019, the trends remained somehow stable.

The global financial crisis in 2008-2011 has divided the CIS members into two groups. The first group - net energy exporters (Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan), have been hit hard by the fall in the world oil prices, but managed a relatively quick recovery due to the accumulated reserves and the renewed growth of quotations on the oil market. It is important that these countries become less dependent on the economic situation in Russia and other CIS states. In 2008, Kazakhstan's exports to the CIS accounted for only 16% , compared to 27% in 2000, Azerbaijan's exports - 3%, compared to 13% in 2000, since virtually all volumes are from energy - the main export product of the CIS countries.

The second group of countries comprises the net importers of energy, whose growth in recent years was fueled by massive external loans, the favorable situation on the raw materials markets of non-energy, industrial and semi-finished products, the expansion of markets in Russia and an increase in transfers of labor migrants, to Russia.

The crisis led to a significant weakening of the listed sources of growth that caused significant overall deterioration of the situation and devaluation processes in these countries: Ukraine, Belarus, as well as in the CIS countries - net importers of energy and low income - Armenia, Georgia, Kyrgyzstan, Moldova, Tajikistan.

The prospects of the crisis for the latter group of countries are quite uncertain, as are associated with painful reforms, the financial support is politically and socially important, but inefficient sectors and industries, involving a growth of loans, obtain external loans (more on assessment and forecast of the GDP growth and the balance of the account balance of payments of CIS current operations.

Growing international and bilateral financial assistance, to the most severely affected countries (by the financial crisis) of the CIS is able to degrade the integration perspective, as any assistance programs focus on domestic issues and push for greater external openness in order to create favorable conditions for access to the market for international investors.

It should also notice that much of the external financial assistance of the CIS is "linked" in nature and is caused by certain economic policies, the provision of certain concessions / preferences donor countries, purchasing their equipment, technology, etc.

The classification of the country risk by the Organization for Economic Cooperation and Development (OECD) - guides lenders and investors around the world, CIS countries by the end of January 2021 were at lower levels in ranking. As it stands, 0 represents no risk and 7 is almost unacceptable to creditors and investors. Four CIS countries - Kyrgyzstan, Moldova, Tajikistan, Turkmenistan - were on the lower level of the 7^{th} , Belarus, Ukraine, Armenia, Georgia, Turkmenistan - on the penultimate 6^{th} , and only Azerbaijan, Uzbekistan and Kazakhstan - on a more or less acceptable level 5 (as the Dominican Republic, Guatemala, Jordan, and others.).

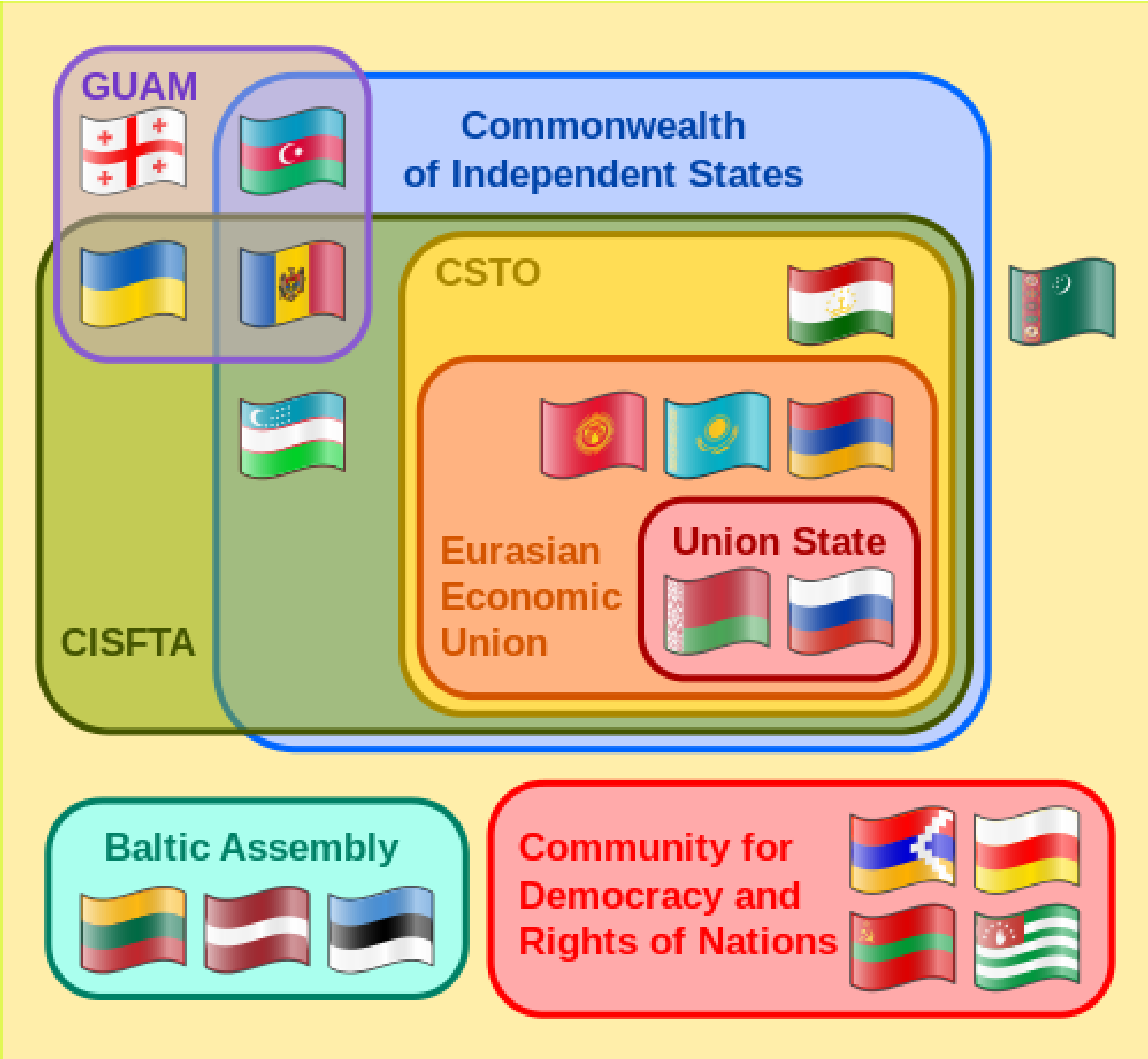
Given the extremely high risk, according to international classification, risk of operations in the CIS countries, especially in times of crisis, foreign business come to appropriate markets with a strong and immediate support from the state. Thus, the overall context of economic and trade cooperation is more and more politicized.

3.2. Main trends and features of economic cooperation between Russian Federation and the CIS

3.2.1. Trade in goods

The role of the Commonwealth of Independent States members as Russia's trading partners over the past fifteen years decreased significantly: in 1994, it accounted for 24% of the turnover, in 2009 - only 14.6% and in 2019 a drop to 10.2%. The economic aspects of the CIS evolved over time in a few different treaties that set the foundation for a more close economic relationship. In the diagram below we can see the evolution and spill off's of the CIS. We can argue about the functionality of this arrangements but they are a normal evolution for the Russian Federation and its economic partners, which are traditionally under the Russian influence sphere.

Figure 7 ***CIS and its inclusive treaties***



As we can see in the figure above, CIS produced several agreements, either economic: Eurasian Economic Union, a Customs union between Russian Federation and Belarus, a free trade area CISFTA (CIS Free Trade Area) and also politics oriented treaties – CSTO – Collective Security Treaty Organization, which later will be a pre-condition for economic relations inside CIS or EEU.

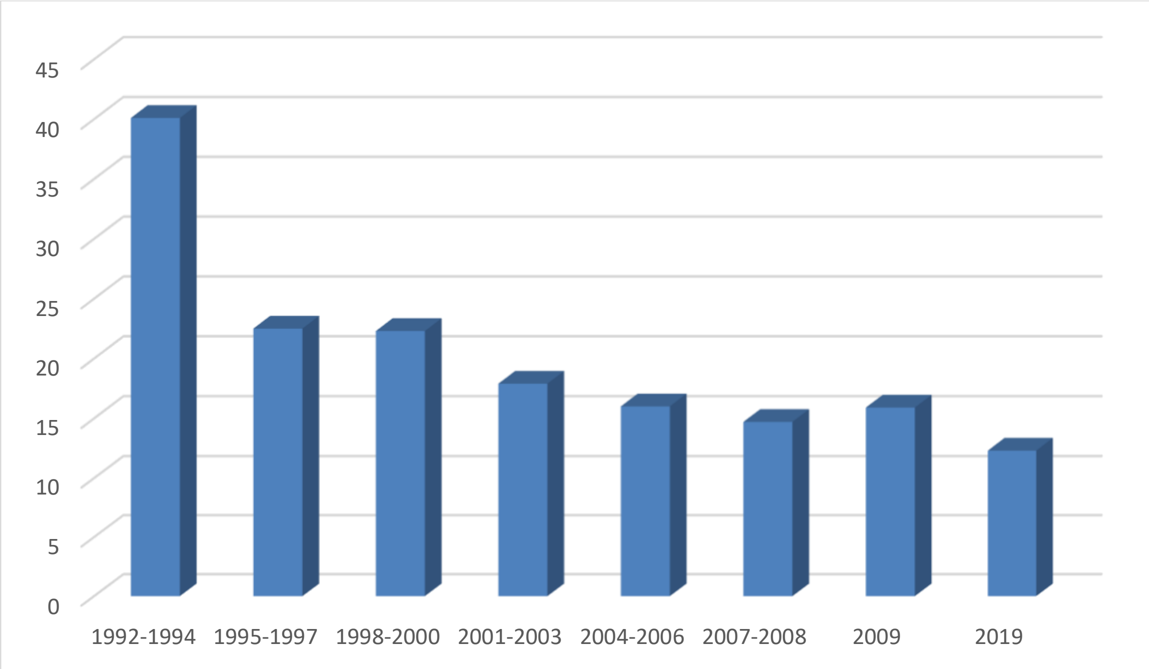
A significant share was lost because of the Ukrainian conflict. At the same time, three of the main contractors of this group of countries - Belarus, Kazakhstan and Ukraine remain among Russia's most important trading partners.

In 2019 Belarus ranked as 5th place, and Kazakhstan on the 13th. Russia's trade with CIS countries in the past few years has evolved at the same rate as with other countries and the fluctuations of their share in the total turnover did not exceed 1%.

The fact is that the reduction occurred mainly due to the reorientation of energy supplies to foreign markets in terms of a rapid growth in demand and the increase in the fuel prices.

If between 1992-1994, the CIS accounted for 40% of total Russian exports of energy resources in real terms, between 2007-2008 it dropped down to 14.7% .

Figure 8 ***Changing the share of CIS countries in the total export of Russian energy resources (in %, in real terms, in terms of oil equivalent, in average for the period)***



Source: Calculations based on data of the Federal Customs Service of Russia (FCS) and the Russian Federal Service of State Statistics (Rosstat), www.gks.ru

In the mid-1990s, the CIS countries accounted for 15% of the total exports, excluding mineral raw materials, and in 2008 this figure was around 25% (in 2009 - 23%). More important, the CIS countries have a big share in manufacturing exports (excluding products with high raw material component - oil products, fertilizers, lumber, etc.). The figure was 31% in 2000, and 55%in 2008.

In particular, the CIS countries accounted for 70-80% of the Russian export of cars, ready-to-use chemical products, medicine, food, textiles and clothing, production of building materials industry, more than 50% of the supply of general engineering and metalworking production, 30-40% of exports of finished steel products, paper and cardboard, wood boards and wood products.

During the 2000s, a significant increase in the share of the Commonwealth on a wide range of industrial products of deep processing, like machinery and equipment were exported.

An important characteristic of Russian exports to the CIS is closely related to its structure of commodities that is substantially higher in diversification when compared with exports to non-CIS countries.

The highest rate of diversification of the export of Russia in the twelve largest customers in 2019 was recorded in Kazahstan (200 items with export value of more than $ 10 million for the 4-

digit HS codes (commodity nomenclature of foreign economic activity), except for closed groups - precious stones and metals, weapons, etc..).

This was followed by Belarus (191 items), Kazakhstan (188) and with a large share- Germany, China, Turkey, Finland, the Netherlands, Italy, USA, Poland, United Kingdom.

The degree for diversification of the exports in the three CIS countries is steadily growing. And if you take only engineering products, the degree of diversification of Russian supplies to Ukraine, Belarus and Kazakhstan is very different in their favor on the situation with exports to non-CIS countries (see Table 7).

In imports, the share of CIS countries in Russia has steadily declined: in the 1990s it reached 30% or more, and in 2009 was reduced to 13%. This is due to the fact that Russia actively developed import high-quality products both for investment and direct consumption, that the Commonwealth States are, almost all the time, not in the position to supply.

The crisis has further reduced the competitiveness of products from the CIS on the Russian market. Imports from the CIS in the Russian market are divided into three main product groups:

a) □ raw materials and semi-finished products, (manganese ore, chromite, bauxite, cotton, melons, etc.) which are more advantageous for importing in certain regions compared with Russian products (for example, coaland iron ore from Kazakhstan in the Urals);
b) □ finished products, complementing the internal market and moderately competing with domestic products like rolled sections or railway equipment;
c) finished products, which occupy a significant share in the domestic market and in some cases displacing products of domestic manufacturers (such as tractors, milk processed products).[65]

Table 7. ***Leading partners by volume for Russian exports, between 2008-2019***

	Total		Without industrial raw materials and primary prefabricated		engineering products	
	2008	2019	2008	2019	2008	2019
Ukraine	195	120	178	110	53	51
Belorussia	191	197	180	202	49	70
Kazahstan	188	200	180	220	57	65
Germany	69	130	59	72	11	12
China	64	90	50	90	13	20
Turkey	51	52	38	76	2	4

[65] "FSSS. Main," Www.gks.ru, 2015, http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/en/main/.

Finland	48	47	39	42	8	5
Netherlands	42	60	27	130	3	6
Italy	41	57	29	45	1	2
USA	39	40	32	48	5	7
Poland	36	38	29	72	3	5
Great Britain	32	42	21	35	1	4

Source: *Calculations based on data FCS (http://www.customs.ru/)*

CIS countries provide the bulk of Russia's needs for imports of mineral products (ores and concentrates, metals, building materials). Russia benefits from an advantage in the sense that it is able to import cheap resources from Kazakhstan (primarily coal), thereby releasing additional resources for export.

The CIS countries are the main suppliers of cotton - the main raw material for the Russian light industry. Equivalent for non-CIS countries role is in the supply of Russian scarce fruit and vegetable products , even though, in some particular cases, some of the imports are not based on formal delivery contracts and cannot be predicted.

At the same time, many industrial goods from the CIS enter into direct competition with Russian products, with additional benefits in the form of a strong state support.

For a number of specific industrial countries of the CIS, products on the Russian market are more competitive than the ones of the domestic producers (see Table 8).

Russia's role as a trading partner of the CIS countries in the 2000s was unable to overcome the tendency of deterioration of the position of Russia in the CIS markets. Among the main reasons for this I mention the low competitiveness of domestic processed goods (with a few exceptions) in comparison with similar imported from abroad; unavailability of Russia to meet the growing demand for investment and consumption in the CIS countries with high quality goods with technical and innovative properties; lack of effective financial and other export promotion mechanisms.

Building-up in the CIS countries of a new transport infrastructure (pipeline network, construction of roads and other communication networks) and the possibility of diversification of hydrocarbon supplies to foreign markets, the expansion of foreign direct investment that normally stimulate export and import flows, as well as the loans from international organizations and non-regional countries, liberalization conditions of the CIS economic cooperation with the rest of the world - all this strengthens the processes of reorientation of the CIS member states on foreign markets.

Among other reasons, the dissuasive effect on the trade and economic relations between Russia and the CIS countries are the following: significant high transport costs of interconnections arising from long distances; poor technical equipment of the border crossing points; higher, as compared to domestic and international, transport tariffs; periodically imposed reciprocal restrictions on the supply of certain goods to the markets of each other in order to protect domestic producers.

The average share of Russian exports in the CIS countries decreased from 42% in 1995 to 28% in 2000 and up to 15-16% in 2008-2009, imports -. 48% to 45% and up to 32,5- 33%, respectively. In 2019 the downfall went further as a natural progression for Russia, about 12% of the exports went to CIS countries.

Table 8. ***The role of CIS imports in the Russian market for specific goods, in 2008 and 2019***

	Production in Russia		Imports from CIS		Imports as % of production	
	2008	2019	2008	2019	2008	2019
Cheese/ 1000 tons	429	1060	167	320	38.9	30.18
Butter/tons	278	278	56	58	20.1	20.8
Sunflower oil/tons	2161	4500	109	80	9.4	5.5
Chocolate products/tons	233	1000	97	102	41.6	10.2
Wines/mln decaliters	50.3	4.7	6.3	2.6	12.5	7.4
Chemical fibers and yarn/mln tons	121	211	92	120	76.0	57
Tires/ million pieces	38.4	52.1	3.39	5.24	8.8	10.5
Shoes/million pairs	55.6	103	10.8	12.3	19.4	11.9
Glass, thermoizolation/ million m2	123.0	55	17.0	23.2	13.8	42.1
Rolled section steel/mln tons	32.9	165	1.8	4.3	5.6	2.6
Steel wire/mln tons	432	840	94	140	21.8	16.6
Steel pipes/mln tons	7.78	0.84	0.62	0.43	8.0	…
Refrigeration equipment/thous. pcs	503	400	159	220	31.6	55
Rolling equipment/thousand tons	13.1	42	21.6	30	164.9	71.4
Refrigerators/thousand pcs	3667	5447	835	1000	22.8	18.4
Televisions/thousand pcs	5906	3200	389	429	57.0	134
Freight cars/thousand pcs	42.6	…	24.3	43	57.0	…
Tractors/thousand pcs	17.1	12.1	35.5	37	207.6	305.7
Medium and heavy trucks/ thousand pcs	106.0	50,1	9.2	7.1	8.7	1.4

Source: *Calculations based on data of Rosstat and FCS, https://eng.rosstat.gov.ru*

However, we should consider that the rapid development of oil exports from Kazakhstan and Azerbaijan, and oil products from Belarus on the background of the rapid increase in world prices significantly distorts the Russian share in the exports.

Despite the decline in the role of Russia in the foreign trade of CIS countries, Russia still remains one of the most important trading partner. In 2019, Russia ranked the 1st place among export partners of Armenia, Belarus, Kyrgyzstan, Turkmenistan, and for imports - in all the CIS countries except Ukraine, Georgia and Moldova (for details on the positions of Russia in the export and import of the CIS countries in the Table 9).

Table 9 . ***Evolution of Russia as a trading partner for the CIS countries (in%)***

	Share in exports					**Share in imports**				
	1995	2000	2008	2009	2019	1995	2000	2008	2009	2019
CIS	**42.3**	**27.9**	**15.1**	**16.0**	**14.3**	**48.4**	**45.5**	**32.5**	**32.9**	**32.9**
Eurasec	**42.4**	**33.2**	**16.1**	**16.0**	**15.0**	**47.8**	**55.5**	**47.1**	**43.7**	**43.7**
Kazahstan	45.1	19.9	8.7	8.3	8.6	49.9	48.4	36.3	30.8	39.3
Kirghizstan	25.6	12.9	19.3	14.9	14	21.9	23.9	36.7	37.7	28.15
Belorussia	45.5	50.6	32.2	31.5	41.3	53.3	64.8	59.8	58.7	54.7
Tadjikistan	12.7	33.0	8.8	8.5	4.4	16.8	15.6	32.0	30.2	23.7
Other Countries	**42.2**	**22.6**	**14.2**	**16.1**	**16.1**	**48.7**	**36.7**	**21.0**	**22.1**	**28.1**
Ukraine	43.4	24.1	23.5	20.1	7.7	53.3	41.7	22.7	24.9	14.5
Moldova	48.3	44.5	19.7	21.0	8.9	33.1	15.4	13.6	10.0	11.8
Turkmenistan	3.6	41.1	50.5	…	…	7.0	14.3	16.0	…	…
Uzbekistan	19.5	27.5	17.1	19.2	13.6	29.9	15.8	23.4	23.2	18.1
Armenia	33.5	14.8	19.5	15.0	27.4	20.0	15.5	19.3	24.8	29.3
Georgia	30.9	21.3	1.9	2.6	13.1	12.2	13.1	7.0	6.4	10.2
Azerbaijan	15.7	5.6	1.2	5.5	3.6	13.2	21.3	18.8	18.1	16.7

Source: *Calculations based on data of the CIS Statistical Committee and national statistics.*
According to the CIS and other countries - without Turkmenistan and Uzbekistan.
In Turkmenistan - the assessment is on the basis of international "mirror" statistics

In general, the fall in the share of Russia's total exports to Commonwealth countries on a wide range of products, not included in the group of raw materials and semi-finished products of primary industry, has been preserved and even increased the orientation of suppliers from the CIS to the Russian market.

Sensitive is the dependence of the agricultural sector of the CIS countries exports to Russia, acting as the main export market for agricultural products. The majority of CIS states have Russia as the main destination.

In the mid-2000s, Russia's share in the total agricultural exports of the CIS reached 40-50%, in 2008 - more than 30%. A decrease of this indicator is due to the expansion of the export of wheat from Kazakhstan and Ukraine in the CIS countries.

For many types of food products exported, CIS preserved exceptionally high focus on the Russian market: in 2008, 99% of all beef exports from Ukraine was directed to Russia, 95% of tomatoes, 85% of vinegar, and canned fruit and vegetables, 82% of cheese and curd etc.

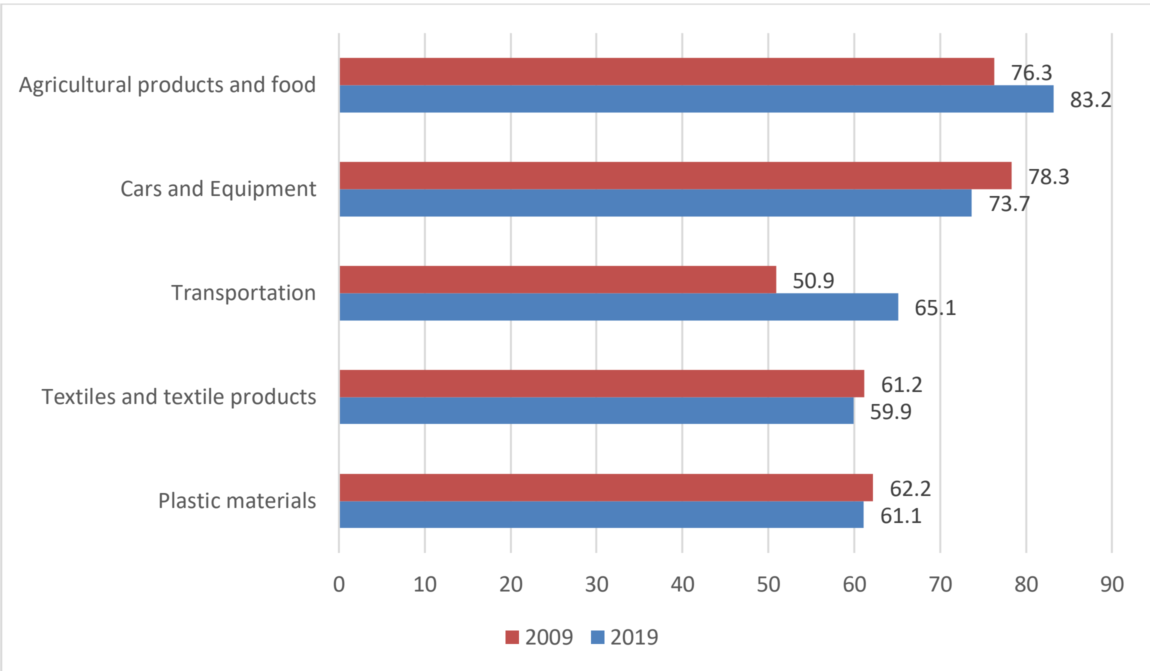
Delivery of Belarusian food products in Russia in 2008 amounted to more than 82% of total exports of the republic in this category of products. The Russian market absorbed 99.5% of the total Belarusian exports of meat, 92% - milk and dairy products, 77% - processed or canned fish. In 2019 more than 74% of the Belarusian food exports were sold in Russia.

In addition to agricultural products, the Russian market is a focus for a significant part (in many cases, the lion's share) processed products from the CIS countries, especially all types of machinery and equipment. Of particular importance is the market for Belarus and Ukraine.

In 2008 Belarus supplied to Russia road equipment - 71%, engines - about 89% of total exports, tractors - more than 49%, trucks - 70%, tractors - 78%, parts and accessories for cars and trucks internal combustion - 85.5%, refrigerators and freezers - 77%, machine tools - 92%, electric transformers - more than 93%, TV sets - 98%, footwear - 73% tires - 56%, furniture - 78%.

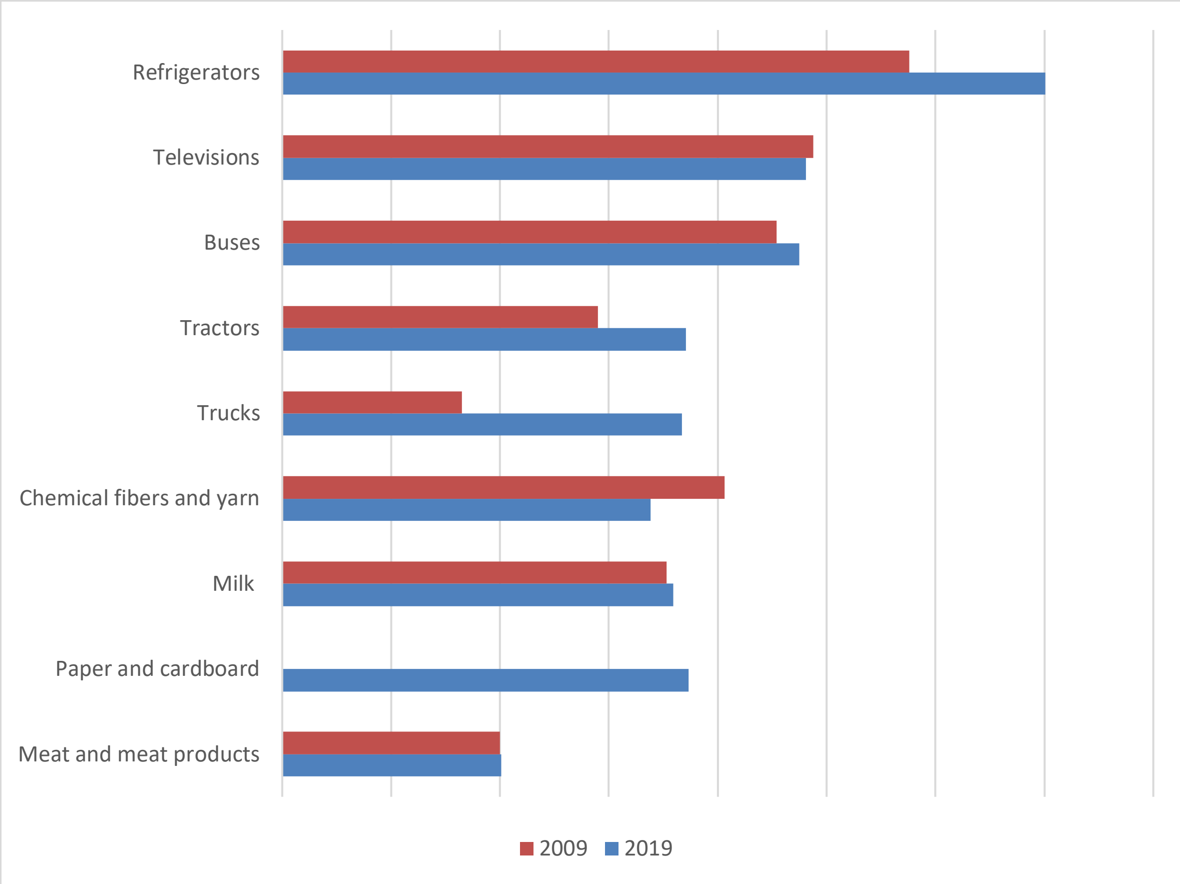
A number of sensitive products deliveries to the Russian market are critical not only for the Belarusian export but also for domestic production of Belarus as a whole. Of the total trucks and tractors produced in Belarus in 2009-2019, 37% were exported in Russia, more than 48% of the TV's and 70% of the refrigerators depending on the details of Belarusian involvement on the Russian market (see Figures 7 and 8).

Figure 9. ***Supplies of goods to Russia in the total volume of Belarusian exports in 2009 and 2019 (in value terms, in%)***



Source: *COMTRADE: https://comtrade.un.org/data*

Figure 10. ***Deliveries of goods to Russian Federation In 2009 and 2019, in real terms, as %)***



Source: *COMTRADE, https://comtrade.un.org/data*

Equally strong is the dependence of Ukrainian manufacturing industries of the Russian market. This relationship covers a large part of commodity structure, including household chemicals, polymers, plastics, paper and cardboard, wallpaper, packaging, synthetic yarn, carpets, concrete products, tiles, glass, rolled metal products, ferrous metals, furnaces and radiators , boilers, turbines, cranes, trucks, agricultural machinery, engines and generators, transformers and electric batteries, railway rolling stock composition, tractors, cars, lighting equipment (more in Figure 13 of Ukraine's dependence on the Russian market). Only the group of railway equipment deliveries to Russia from Ukraine in 2008 exceeded 15 billion USD; nearly 15% of all sales (primarily cars trucks, parts for railway, locomotives, diesel locomotives).

Overall, the livelihoods and survival of a large number of sectors and sub-sectors of the economies of the CIS countries are still in high dependence on the capabilities of sales on the Russian market.

The fall of the share of Russia in the CIS imports was less pronounced than the one in exports, explained by the important role played by the energy resources as a share of exports.

On the one hand, due to the reorientation of the CIS countries towards Russian energy supplies, for almost 50% of the total of imports from the Russian Federation, the rate of CIS trade with Russia began to lag behind the dynamics of import of goods from third countries. As a result, the position of Russia in the CIS imports weakened.

On the other hand, due to the rise in prices for Russian supplied energy in the CIS, as well as maintaining a high dependence of the CIS member states on Russian energy reduction, Russia's role in the import of the CIS countries was generally moderate.

Russia provides about a third of the import needs of the Commonwealth (including about 2/3 of the imports of mineral products, including up to 70% of fuel purchases, almost 50% of the total import of metals and their products, timber and paper products and remains its main trade partner. As a comparison, in 2019, the exports dropped to approximately 4.69 billion USD because the toll of the conflict and the economic crisis, but still Russian Federation remains the top partner for Ukraine with a trade balance favourable to the Russian Federation.

Table 10. ***Ukraine deliveries to Russia in 2018***

Group of products	**Export (US$)**	**Export Product Share (%)**
All Products	3652428,5	100
Capital goods	847119,78	23,19
Consumer goods	688188,8	18,84
Intermediate goods	1964943,54	53,8
Raw materials	152161,22	4,17
Animal	3144,29	0,09
Chemicals	779765,55	21,35
Food Products	80628,15	2,21
Footwear	16828,15	0,46
Fuels	69305,62	1,9
Hides and Skins	956,06	0,03
Mach and Elec	734148,03	20,1
Metals	957167,47	26,21
Minerals	127513,49	3,49
Miscellaneous	76337,13	2,09
Plastic or Rubber	193430,86	5,3
Stone and Glass	94399,52	2,58
Textiles and Clothing	55769,84	1,53
Transportation	201831,59	5,53
Vegetable	14750,89	0,4
Wood	246451,85	6,75

Source: *World Bank https://wits.worldbank.org/*

Russian Federation and the CIS competition on third country markets can be assessed as moderate. Mostly in terms of commodities and regional markets, where the interests of domestic exporters and suppliers come from the CIS, are the main threats to the positions of Russia in third countries.

The CIS as an organization, does not have limits on competition and thus the competition rules and regulations do not have a formal background.

The Russian market of metal products is aiming primarily China, on the markets of ammonia and nitrogen fertilizer - the countries of the Persian Gulf and North Africa, Trinidad and Tobago, on the polymers market - the countries of Eastern and South-East Asia, the Persian Gulf.

An important factor is the desire of a number of traditional Russian products consumer countries, to develop their own production (metallurgy in Iran, production of fertilizers in South and Southeast Asia, etc.).

An analysis of the dynamics of exports of the main groups of non-primary goods, which Russia enters into competition with the CIS countries, showed that during the 2000s. Russia's position deteriorated in the markets of those products where there is a reduced global competitiveness of domestic producers, which manifested itself in the fall of their weight not only in the world, but also in the domestic market.

Among these products I mention several types of industrial equipment, steel products, polymers, metal products, light industrial products. (more on competition between Russia and other CIS countries in the world market see in Table 11).

Table 11. ***Russia's competition within the CIS countries on the world market***

	Total Exports of Russia (%)		Russian Federation to CIS	
	2008	2019	2008	2019
Sunflower oil/thousands of tons	528	1.3 billion tons	38	48
Oil/mln tons	118.1	71.5	433	600
Ammonium/mln tons	3.64	3.59	260	290
Medications/mln dollars	258	413	97	101
Nitrogren fertilizers, mln tons	9.78	7.9	168	189
Plastics in primary forms/mln t	641	1200	133	152
Plastic semi-finished products/mln t	500	800	131	169
Textiles / thousand t.	435	70	282	340
Iron/mln t	146	223	10	15
Steel semi-products/mln t	5.45	8.5	367	432
in Vol. h. of internal combustion engines, million	2699	185000	234	180
Machinery for mining and road works / t.	602	1000	140	190
Trucks, mln USD	1221	396	91	130
Car parts. Mln USD	790	1.5 billion	142	600

Note: *Other CIS - excluding Uzbekistan*

Source: www.cisstat.org

However, with increasing capacity and production in the extractive industry sectors and primary processing of products of the CIS countries (especially sectors with the intensive use of energy), development of transport infrastructure in the region, the Commonwealth governments can make a tangible competition with Russia in the Eurasian and global markets.

In recent years (2018-2019), the total production of oil and gas (oil equivalent) in Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan reached 28% of the Russian level, whereas in the mid-1990s. around 15%.

Total net exports of energy resources from four of these countries is significantly higher than the net energy exports from the Latin American region (more on energy exporter in the CIS in Table 12).

Table 12. ***The net exporters and net importers of energy resources in the CIS region (2019), in terms of million tons of oil equivalent).***

Net exporters	Net importers
Russia – 238.61	Ukraine – 58.2
Kazahstan – 52.2	Belorussia – 17.2
Turkmenistan – 6.8	Moldova – 2.5
Azerbaidjan – 19.5	Georgia – 1.9
Uzbekistan – 11.3	Tadjikistan – 2.2
	Armenia – 1.9
	Kirghizstan – 1.3
Total net exporters – 328.41	Total net importers – 85.2
without Russia – 89,8	

*note: Uzbekistan has not released official statistics from 2015.
Source: *www.cisstat.org*

Unobtrusive, but in the long term sensitive for Russia, the problem is related to the gradual movement of the CIS countries up the technological chain - from raw ores and minerals exports to supply enriched product, refined metals, etc.

Traditionally, Russian international specialization, permits and favors its access to markets where the Commonwealth states can't access easily. Thus, primary refined aluminum is produced in significant amounts in Russia and in a much smaller amount in Tajikistan, Ukraine, Kazakhstan and Uzbekistan. But Russia is processing imported raw materials, purchasing alumina, including from Ukraine, Kazakhstan and Azerbaijan. Availability of its own resources, accompanied by low production costs and low labor costs and environmental activities encourage CIS partners to develop and expand production of refined aluminum.

Azerbaijan is planning to enter on the global market of non-ferrous metals, developing the aluminum industry both on their own resources and on imported raw materials.

Poor in own raw materials, but more and more oriented to the export of refined metals Tajikistan (aluminum) and Uzbekistan (copper, zinc, aluminum) in the long term may create

additional tension in the resourcing market of CIS metallurgy, attracting additional flows ores and concentrates.

Countries that are important suppliers (Armenia, Georgia, Kyrgyzstan), also intend in the future to develop processing of raw materials inside. The scenario described for the non-ferrous metals, is also used for petrochemicals and gas, production of mineral fertilizers, and in a number of other industries.

The best approach for Russia would have been to collaborate with partners from the CIS in implementing projects in the areas of traditional export specialization of the Russian Federation.

This would avoid irrational competition for markets and influence the price level. Specific importance in this, has Germany, its exports to Russia (11% in 2019) have significantly more than the countries of the Eurasian Economic Community (EurAsEC) (9.0%), and China's share of imports to the Russian Federation (13.6%) exceeds the total weight of all states in LPG (13%).

Specific importance of the Commonwealth countries is the export of Russia, which amounted in 2019 to 11.6%. Assuming a favorable global environment, and progressive structural shifts in the economy forecast scenarios to the beginning of the 2020s it will not exceed 16-17%.

For imports, the situation is even worse: the CIS share in both scenarios will fall from the current 13% to less than 10%. According to estimates, the value of Russian exports to the CIS reached a maximum in 2008 and prospects estimate that only in 2021-2025 will have the same values.

The physical volume of exports to the CIS to the beginning of the 2020s. will exceed the level of 2008, in one scenario between 5-10% and in a more optimistic one by 13-18% .

Cost volumes of Russian imports from the CIS did not recover to the level of 2008 in 2018-2019. Physical volumes of imports from the CIS will be released on pre-crisis performance only at the beginning the 2020s. in both scenarios. Commodity structure of Russian exports and imports from the CIS will not undergo significant changes over the next fifteen years: the main Russian export item will remain energy (41-45% in the CIS in the beginning of 2020s), imports -. machinery and equipment (29-39%). Expert evaluations also show that the current intensity of trade between Russia, Belarus and Kazakhstan is already higher than the average calculated level for countries in a customs union. This is explained by including the inertia of the traditional economic ties within the Eurasian space.

3.2.2. Integration under the CIS umbrella (Eurasian Economic Union and Costums Union)

Economic integration in the post-Soviet space is by no means a new phenomenon; rather, the first efforts to create an economic union of the then twelve members of the CIS were made as early as 1993. The overriding goals of this economic union consisted in the creation of a multilateral free trade area, a customs and currency union as well as a common market with the free movement of goods, services, capital and labor. Although the framework agreement on economic union was signed on September 23, 1993, it quickly became apparent that the implementation of the specific treaties was fraught with problems: the states involved could not agree on a common list of goods that should be excluded from the free trade regime should - instead, bilateral agreements were concluded in this regard, which were subsequently undermined. Accordingly, the development

towards a customs union did not take place and Russia ratified neither the framework agreement nor the important individual agreements.

There were renewed attempts at integration in 1995 with the resolution of a customs union between Belarus, Kazakhstan and Russia, which was supplemented on February 26, 1999 by an agreement to create a single economic area between these states and Kyrgyzstan. The Eurasian Economic Community (EEC) was set up on October 10, 2000 with the aim of institutionalizing this multitude of international economic agreements, some of which were lying idle. Despite or precisely because of these ambitious objectives[66], the synchronization of economic policy provisions turned out to be extremely difficult. It was also not beneficial that Kyrgyzstan, for example, had been a member of the WTO since 1998, while other countries were and are still at different stages of accession negotiations.[67]

The agreement between Belarus, Kazakhstan, Russia and Ukraine to establish a single economic area in spring 2003 was another attempt at economic partial integration within the EAEEC structures. However, this project could not be implemented because Ukraine was taking the final steps towards establishing it rejected supranational structures and even the elaboration of individual agreements did not lead to a clear result. In 2006 Ukraine left the negotiations for good.[68] Unsurprisingly, if you look at these failed integration efforts within the EAEC, calls for reforms or even the abolition of the institution are still being made.

The establishment of the customs union between Belarus, Kazakhstan and Russia on October 6, 2007 is a typical example of the benefits of the EEC in recent times Import or export duties, tariffs or non-tariff restrictions are levied between the member states. This step entailed the introduction of a uniform customs code, the harmonization of import regulations and tariffs as well as the relocation of customs controls to the external borders of the entire area.[69] As in previous projects, little was done between 2007 and 2009 to implement the resolutions, but it did this process has experienced a significant boost since 2009. The uniform customs code was signed on November 27, 2009, the Customs Union Commission started its work on January 1, 2010, and the joint customs code in Kazakhstan and Russia and July 6 in Belarus came into force on July 1.

The Intergovernmental Council was established at the level of the heads of state and government as the highest body of the customs union. They take strategic decisions for the development of the customs union in close coordination. The Commission acts as the permanent body of the customs union, the three members of which are each sent from a member country and whose main task is to monitor the implementation of the intergovernmental agreements on the customs union and their functionality. Decisions are made with a 2/3 majority, with Russia holding 57 percent and Belarus and Kazakhstan each holding 21.5 percent of the vote. This means a de facto right of veto for Russia, since the other two countries cannot jointly outvote Russia. The working

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[66] "ЕврАзЭС." n.d. Www.evrazes.com. Accessed August 30, 2021. http://www.evrazes.com/about/history.
[67] Shadikhodjaev, «Russia and the Customs Union with Kazakhstan and Belarus» , p. 11
[68] Dragneva, Rilka, and Kataryna Wolczuk. 2016. "Between Dependence and Integration: Ukraine's Relations with Russia." *Europe-Asia Studies* 68 (4): 678–98. https://doi.org/10.1080/09668136.2016.1173200.
[69] "Таможенный союз ЕврАзЭС." n.d. Www.tsouz.ru. Accessed August 30, 2021. http://www.tsouz.ru/AboutETS/Pages/default.aspx

level is covered by the Customs Union Secretariat, which is divided into different departments and deals with the specific harmonization of tariff and non-tariff provisions.[70]

Due to the adoption and the required implementation in a hurry, some disputes arose during the creation of the uniform customs code and its implementation: Belarus, for example, insisted that tariffs on oil and petroleum products should also be dropped within the customs union, while Kazakhstan insisted its low import tariffs for the mostly Chinese imported goods and both countries wanted to keep their import tariffs for cars. These demands could be enforced, but Russia reserved the right to impose tariffs on oil and oil products until the introduction of the Single Economic Area on January 1, 2012.[71] In addition to these inconsistencies with regard to concrete provisions, the long-term project also seems to be one Eurasian Union accompanied by national interests and resentment: while the Belarusian President Lukashenka, for example, seems to develop enthusiasm for post-Soviet integration when and as soon as there are no foreign policy alternatives, the Kazakh head of state Nasarbaev emphasizes the functionality of an economic one Integration that does not restrict one's own sovereignty as far as possible.[72] However, these interpretive differences have so far not stopped the integration process and will not do so as long as the motivation for the union and the political will of the heads of state remain.

The establishment of the Single Economic Area (for a rough structure see Figure 1), which was decided by the heads of state of the members of the Customs Union on December 9, 2010, includes a deepening of economic integration and cooperation. A total of 18 documents were adopted which relate to the areas of economic policy, free movement of capital and financial policy, the energy industry, transport and connection, free movement of labor and technical regulation and which define the harmonization of these areas by the end of 2012.[73]

To ensure the functionality and monitoring of the Customs Union and the Single Economic Area, the Eurasian Economic Commission was also created - similar to the Commission of the European Union - which has been active since January 1, 2012 and from July 1, 2012 the activity of the Customs union is to take over as a permanent organ of the institution. The main tasks of the commission will be the preparation of proposals for the further course of economic integration and the function as depositary of the customs union and the single economic area. The commission has de jure the status of a supranational body and is not subordinate to any of the governments. It consists of a college of nine members, three for each member country, who act as international civil servants independent of national interests and are supposed to decide on trilateral integration. In the second chamber of the commission, the council, sit the vice-premiers of the respective member states and are supposed to monitor and approve the decisions of the college. In contrast to the previous Commission of the Customs Union, one member of the college now has one vote each, which means that Russia's previous superiority in the committee is de facto abolished.[74] This fact could be an indicator that Belarus and Kazakhstan would not have agreed to deeper integration with Russian superiority and that Russia therefore had to make concessions. But Russia still has an

[70] idem
[71] Tochitskaya, Irina. 2010. “The Customs Union between Belarus, Kazakhstan and Russia: An Overview of Economic Implications for Belarus.” *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1670130.
[72] Hoffmann, Katharina. 2012. “Eurasische Union – Alte Integrationsidee Mit Neuem Namen.” *Russland-Analysen*, no. 237 (May): 2–5. https://doi.org/10.31205/ra.237.01.
[73] Idem p. 3
[74] “Таможенный союз ЕврАзЭС.” n.d. Www.tsouz.ru. Accessed August 30, 2021. http://www.tsouz.ru/AboutETS/Pages/default.aspx

important position within the Eurasian Economic Commission - its headquarters are in Moscow and around 80 percent of the officials come from Russia.

Furthermore, it should be noted critically that the Eurasian Economic Commission is formally a supranational body, which can be seen from the status of the civil servants, but these are in turn delegated by national actors, have limited decision-making power and mostly develop proposals that are submitted by the Intergovernmental Council at the level must be decided by the heads of state and government. This suggests that the Single Economic Area was planned as an amalgamation with supranational elements, but not yet fully implemented. Practical questions also remain unanswered with regard to the specific work of the Commission - from premises in Moscow[75] to an official website and decisions that have so far duplicated, overlapped or contradicted the Customs Union Commission[76].

The Economic Court of the EEC, which was officially activated on January 1, 2012 and started its work in Minsk, acts as the dispute settlement body of the Customs Union and the Single Economic Area. Two judges per member country of the EAWG are sent to this office for six years and it deals with disputes between member states of the customs union and the EEC, as well as with third countries and between companies. The judgments of the court are, in comparison to the economic court of the CIS, binding. However, there is still no experience with judgments made, which is why the functionality of this body has not yet been assessed.[77]

Based on the rigorous enforcement of the customs union described and above all against the background of the failed and protracted attempts at integration in the 1990s and early 2000s, the question arises why the integration took place now and, above all, so quickly. Since Vladimir Putin is seen as the driving force behind economic and political integration in the post-Soviet area due to his idea of a Eurasian Union and he presented this concept prominently in the daily newspaper 'Izvestia' shortly after the announcement of his presidential candidacy in autumn 2011 Assumption of an electoral maneuver close. But it is rather unlikely that Putin would announce such far-reaching and long-term foreign policy visions solely to please potential voters. A more likely motive seems to be the gradual loss of Russian influence in both Eastern Europe and Central Asia. The promotion of economic integration can be seen as an attempt to bind the states of the former sphere of influence more closely to Russia: On the one hand, as a response to the intensification of relations between the EU and the Eastern European states within the framework of the Eastern Partnership established in 2009 as well as the preparation of an association agreement with Ukraine.[78] On the other hand, as a reaction to the increasing loss of power in the Central Asian states, which are economically more strongly oriented towards Europe and especially China.[79] These developments are, however, again of a gradual nature and do not explain the sudden political will to form a customs union between all three countries. The global economic crisis in 2008 and 2009 provides a

[75] "Виктор Христенко не находит себе места." n.d. Коммерсантъ. Accessed August 30, 2021. http://www.kommersant.ru/doc/1924113.

[76] "Евразийские комиссары заблудились в сети." n.d. Коммерсантъ. Accessed August 30, 2021. http://www.kommersant.ru/doc/1934952.

[77] "Sudevrazes.org." n.d. Ww12.Sudevrazes.org. Accessed August 30, 2021. http://sudevrazes.org/main.aspx?guid=18751.

[78] Zagorskij, Andrei. 2011. "Das Russische Integrationsprojekt Reduziert Auf Die Trilaterale Zollunion." *Russland-Analysen*, no. 216 (March): 2–4. https://doi.org/10.31205/ra.216.01.

[79] Spechler, Martin C., and Dina R. Spechler. 2010. "Is Russia Succeeding in Central Asia?" *Orbis* 54 (4): 615–29. https://doi.org/10.1016/j.orbis.2010.07.008.

plausible reason for the surge: the crisis gave integrative efforts in the post-Soviet area an accelerating moment because the states were forced to find new sources in this tense situation for stable economic growth. Against the background of the crisis, economic integration and the associated opening up of sales markets and opportunities for cooperation can function as an important instrument and are therefore becoming increasingly important.[80] The prevalent way of thinking is interesting here, that simply opening up to the global economy and orienting towards the west do not seem to be alternatives. Rather, regional cooperation is seen as an opportunity for the modernization and diversification of the national economies in a 'protected environment', which then makes it possible to open up to competition on the world market from a stronger position. To what extent such an approach makes economic sense is examined in more detail in the next point.

With regard to the acceleration of the economic integration process since 2009, it should be recapitulated that, on the one hand, Russia's interest in consolidating and expanding its influence in the post-Soviet area and, on the other hand, the economically tense situation in the region due to the global economic crisis, the most important motives for the establishment of the customs union and the further development of the single economic area.

With these institutions, however, the end of the integration process has not yet been reached. Rather, the heads of state of Belarus, Kazakhstan and Russia signed an agreement on November 18, 2011 to create the Eurasian Economic Union by 2015, and efforts are also being made to expand it to include further members of the EEC. The final goal of the integration process is the establishment of a Eurasian Union, again comparable to the EU, which promotes not only economic but also political integration of the member states.

Looking at the course of the integration process to date, it can be seen that the establishment of the customs union and the development of the Single Economic Area took place very quickly and that political activism was clearly ahead of the administrative feasibility. In spite of this, the necessary documents were drawn up in good time and the implementation of the new regulation is progressing, albeit slowly. These experiences suggest that further economic integration - provided the political will is maintained and the willingness to surrender sovereign rights is given - will advance; Especially since the first agreements have already been signed, some administrative structures have been created for implementation and further development and the legal basis has been laid. However, it remains questionable to what extent the customs union and the single economic area can expand in the post-Soviet area.

A decisive factor that could make the customs union attractive to other states would be a clear economic benefit without political patronizing on Russia. In order to be able to assess these potential benefits of economic integration, the economic effects of the merger on Belarus, Kazakhstan and Russia are analyzed and the motives for the establishment of the customs union are examined in more detail.

[80] Movchan, Veronika. 2013. "Die Ukraine Und Die Zollunion von Russland, Belarus Und Kasachstan: Würde Sich Eine Engere Integration Auszahlen?" *Russland-Analysen*, no. 257 (May): 11–14. https://doi.org/10.31205/ra.257.02.

3.2.3. Trade in services

Historical progression 2000-2009

An important part of the foreign trade between Russia and the CIS countries is the trade in services. In 2009, the share of services in the total turnover of goods and services amounted to 16.7%. Since the beginning of the decade and the end of 2008 there has been a steady expansion of mutual trade between Russia and the Commonwealth regarding services: since 2000 the exchange of services increased by 3.4 times in 2007 and 2008, characterized by unprecedented high rates of growth in mutual trade in services - at 30% per year (more on trade growth rates of Russian service with the CIS in Figure 16).

Table 13. ***The growth rate of trade in services of Russia with the CIS countries in 2001-2009 (%)***

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Turnover	6.9	12.9	5.6	16.3	12.9	19.8	28.8	31.0	-22.6
Export	14.7	4.9	6.4	17.9	21.0	35.9	36.4	38.3	-27.2
Import	1.0	19.9	5.0	15.0	6.5	5.3	20.0	21.2	-15.6

Source: *Central Bank of Russia, https://www.cbr.ru/eng/statistics/*

The economic upturn in Russia and the CIS countries has stimulated the expansion of sales and purchases of services, first of all, for items such as the "Transport", "Travel", "Construction" and "Other Business Services".

Due to the higher rate of expansion of Russian exports compared to imports dynamics since 2006 trade with the CIS countries in services (as opposed to non-CIS) the surplus in services trade in 2008 reached $ 3.8 billion from $ 0.8 billion in 2006.

However, the decline in business activity in Russia and CIS countries in conditions of global financial and economic crisis has caused a cost reduction in mutual trade in services in 2009 against 2008 by $ 4.2 billion while maintaining sensible trade surplus in favor of Russia - at the level of $ 1.9 billion (more on the absolute volumes and values the balances of trade in services with Russia CIS in Table 14).

Table 14. ***Russia's trade in services with the CIS countries in 2000-2009. (Million dollars).***

Year	Export	Import	Turnover	Balance
2000	2396	3122	5518	-726
2001	2749	3152	5901	-402
2002	2885	3779	6664	-894
2003	3071	3967	7038	-897
2004	3622	4563	8185	-941
2005	4381	4860	9241	-478

2006	5953	5117	11070	836
2007	8119	6142	14261	1978
2008	11233	7445	18678	3788
2009	8178	6287	14465	1891

Source: *Central Bank of Russia, https://www.cbr.ru/eng/statistics/*

By 2009, the share of Commonwealth in this area (14%) decreased by more than 7% (pp) compared to 2000. The main reasons were the concentration of outbound tourism and foreign trade cargo flows to foreign countries, low competitiveness, small mutual offer knowledge-intensive and technically complex services needed in Russia and a major trade partners from the CIS for the modernization of the economy (for details on the positions of the CIS in the Russian export and import service provider in Figure 18).

Table 15. ***The share of CIS countries in Russia's foreign trade in services in 2000-2009. (% of total)***

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Turnover	21.4	18.4	18.0	16.2	15.2	14.5	14.6	14.5	14.6	14.0
Export	25.0	24.0	21.2	18.9	17.6	17.5	19.1	20.6	21.9	19.6
Import	19.2	15.3	16.1	14.6	13.7	12.5	11.4	10.4	9.7	10.2

Source: Central Bank of Russia, https://www.cbr.ru/eng/

The sectorial structure of Russia's trade in services with the countries of the CIS is poorly diversified. Russian exports are dominated by traditional services - "Transport" and "Travel" which cover about 4/5 of all transactions.

Emphasis is placed on a small volume of sales of high-tech and intelligence services[81] to the CIS countries (792 million USD In 2008 and $ 669 million USD in 2009) compared to the total volume of Russian exports of services (US $ 7.4 billion. and US $ 6.7 billion. respectively).

Modest Commonwealth share in exports of high-tech services to the Russian Federation (10-11%) is owed mainly to lower volumes of Russian companies' participation in the economic and industrial cooperation with proximity countries abroad, compared with long-range, high technology and including technical assistance in the modernization and construction of facilities, cooperation in the field of information and communication**).**

The import of services from the CIS in the 2000s significantly increased the share of transport services provided by the growing Russian foreign trade cargoes.

The share of high-tech and intelligence services in imports higher rather than in exports, is due to the Russian telecommunications procurement, as well as engineering and technical services. A significant part of the import of services from CIS constitute products destinated to "Public

81 For high technology and intelligent features, in this case assigned space transport services, telecommunication services, computer and information services, royalties and license fees, services in the field of research and development, engineering services, technical areas.

services" - about 9-10% (10.5% in 2009). Total payments from Russia to CIS were carried out in 2000-2009 and amounted to about $ 5 billion, including accumulated deficit.

More than 4.6 billion dollars in this article are taken into account for Russia, the cost of maintaining the Black Sea Fleet, military bases, official representatives and organizations rent of the "Baikonur" space complex and others. The potential for growth of revenues from sales of services in the CIS is largely due to more complete use of the export potential of the domestic transport complex on the basis of increasing the share of the participation of Russian transport companies in the transportation of domestic and imported goods. Among the main objectives: the development of transport infrastructure, including European significance (three pan-European corridors); updating and improvement of the park means of transport, especially the merchant navy and civil aviation; The above indicators of transport system functioning in accordance with international requirements for the level of service, quality and value in transport; are simplifying and accelerating the implementation of conjugated crossing formalities between Russia and CIS countries of common borders; harmonization of the regulatory framework of national transport operations with the relevant legal regulations of the Commonwealth countries; implementation of the necessary measures to protect and support the activities of Russian transport companies in the foreign market. Strengthening of the Russian presence in the market of high technology and research and development services of the CIS is possible primarily due to the expansion of technical assistance in the construction and modernization of infrastructure and production facilities, development of scientific-technical and industrial-technological cooperation, which would lead to an increase in the exchange of results and technologies that come from research.

Russian trade in services after the economic reorientation 2010-2019

Russia is in the first 20 countries, at global level, in terms of foreign trade in services. Unlike commodity trade, Russian trade in services with foreign countries has a negative balance.

According to the WTO, in the period from 2005 to 2018, foreign trade in services at world level grew by an average of 6.2% per year, outstripping the dynamics of trade in goods.

According to the World Bank, in a number of developed countries the share of services has already reached three quarters of GDP, compared with 40% in the middle of the last century.

Developing countries and countries with economies in transition, including Russia, are also increasingly oriented towards the services market, due to which they increased their share from 23 to 30% in the export of world services over the period.

According to the Bank of Russia, from 2010 to 2013, foreign trade in services in Russia increased at an average annual rate of about 16.8% y / y, which was due to an increase in imports, tourism developed especially dynamically during these years , for example personal trips of Russian citizens abroad grew on average by 27.5% YoY.

Foreign investors also contributed to the rise of the Russian service sector during this period. From 2014 to 2016, due to the imposed sanctions to Russia, the collapse of world oil prices followed.

There was also a sharp outflow of foreign investors from the Russian market, which also had a negative impact on the services market, since foreign companies are active consumers and suppliers of services to the Russian market. Since 2016, the turnover of services has entered the trajectory of recovery growth, however, neither exports nor imports have yet reached the level of 2013. The negative trade balance decreased significantly compared to 2013, however, solely due to imports.

For more "traditional" items of trade in services, Russia occupies a large share of the world market - the share of construction services in the global total is about 4.8%, transport services - 2.2%, primarily due to air transportation and international transit, the share of repair services , processing and maintenance - 1.8%.

Russia has a weak competitive position in international trade in such categories of services as personal travel, other business services, telecommunications and information services and royalties, which make up a significant proportion of Russian services turnover.

Tourism is one of the key components of Russia's foreign trade in services - imports of personal travel in 2019 amounted to 35.0% of total Russian imports of services, while exports were only 9.9%.

Russia also has a weak position in the field of technical, trade and intermediary and other business services (operating leasing, architectural and engineering services, waste treatment and environmental clean-up services, in the field of agriculture and mining), which accounted for 15.0 % of Russian imports and 10.3% of exports in 2019.

Foreign trade in services of Russia is geographically concentrated - the largest trading partner is the European Union. Its share in the external turnover of services increased from 39.6% in 2010 to 43.0% at the end of 2019. Traditionally, the EU's share in imports of services is higher (47.5% in 2019) than in exports (35.9% in the same year).

The main trade partners of Russia both in terms of exports and imports of services, are Germany, Cyprus, Great Britain, the USA, China and Switzerland.

The USA, China and Switzerland are the main sales markets for Russian services - in 2019 they accounted for 6.5, 6.2 and 6.1% of all exports of services, respectively.

The undoubted leader among service providers is Turkey with a share of 7.7% of the total import of Russian services, while Turkey is only on the 13th position in the export of services with a share of 1.9%.

The largest partner countries with which Russia has a negative foreign trade in services are Turkey (-6.4 billion USD in 2019), Ireland (-4.2 billion USD), France (-3.1 billion USD . USA). The largest surplus was formed with Kazakhstan ($ 1.3 billion in 2019), Switzerland ($ 0.6 billion), Luxembourg ($ 0.6 billion).

Figure 11. ***Imbalance Ration of Trade Services of Russia in 2009 and 2019***



At the end of 2019, the Russian foreign trade turnover of services amounted to USD 161.8 billion, an increase of only 1.5% compared to the previous year. Two years before that, a more pronounced positive trend was observed - the increase in turnover in 2018 reached 8.9%, and in 2017 - 17.0%.

The deficit in the balance of services amounted to USD 36.2 billion, an increase of 20.9% compared to 2018. The main contribution to the deficit of foreign trade in services continues to be produced by the negative balance of personal travel, which increased from USD 25 billion in 2018 to USD 28 billion in 2019.

Other business services and payments for the use of intellectual property are also imported to a greater extent than are exported - the foreign trade balance for these items amounted to -8.4 and -5.9 billion US dollars, respectively. The largest positive contribution in 2019 was made by transportation services (turnover amounted to USD 6.1 billion). A surplus was also observed in telecommunications, computer and information services ($ 0.2 billion) and services for the processing of goods owned by other parties ($ 1.0 billion).

Exports of services at the end of last year decreased by 3.1% from 64.7 to 62.8 billion US dollars, after growing for three years - from 2016 to 2018. Only two of the five largest domains, accounting for more than 5% of the total export of services, retained positive dynamics in 2018 - in telecommunications, computer and information services (+ 4.4% YoY) and other business services

(+ 2.5% y / y). Transport services decreased by 2.7% yoy, travel - by 45.4% yoy, construction - by 12.1% yoy.

The largest negative contribution to the dynamics of export of services at the end of 2019 was made by air transport with a decrease of 1,5%, of which 1% is the contribution of services for the implementation of international air cargo transportation and 0,5%. passenger transportation.

The contribution of transport services as a whole amounted to -0.9 p.p. (in 2018, under the item "Transport services", there was an increase in exports by 11.5%, and the contribution was +4.0 %).

At the same time, transportation by rail, carried out by Russian companies in the interests of non-residents, on the contrary, contributed +0.8 %. into the dynamics of the export of services in Russia.

Construction services, having decreased from USD 5.4 billion in 2018 to USD 4.8 billion, provided -1.0 %. decrease in the export of services, of which -0.6 % is the contribution of the cost of the implementation of subcontracted contracts for construction work on the territory of Russia, concluded with foreign contractors, and -0.4 % the contribution of the cost of work performed by Russian construction companies under contracts with foreign customers.

Personal travel accounted for 56.7% of the total export of services under the item "Travel". The indicator decreased from US $ 6.9 billion in 2018 to US $ 6.2 billion, which made a negative contribution to the decline in exports of services by 1.0 percentage points.

The decrease in travel to Russia for personal purposes in 2019 was caused by the high base of 2018, when the FIFA World Cup, which took place in the summer, had a significant impact on the dynamics of the indicator. Business visits to Russia, on the other hand, grew, with an increase in this item for the year amounting to USD 107.1 million.

For enhancing the export of services, the Minister of Economic Development of the Russian Federation launched a federal project named "Export of services". The project is continuing and some partial results prove that by the end of 2019, Russian exports of services amounted to USD 62.8 billion even though the target was not achieved by 10.3%, or USD 7.2 billion.

In the medium term, it is planned to implement a number of measures of the action plan for the implementation of the Strategy for the Development of Export of Services until 2025 and sectoral complexes of measures to increase the volume of export of services.

3.3.Mutual Direct Investments in CIS

Evolution of FDI 2010 – 2019

At the end of 2019, of the existing investment between the CIS countries, the first five are formed by pairs with the participation of Russia[82]:

1. Russia - Kazakhstan ($ 11.16 billion, including 74% - Russian FDI).

[82] Eabr.org. 2021. [online] Available at: <https://eabr.org/upload/iblock/6fa/EDB-Centre_2017_Report-45_MIM-CIS_RUS_2.pdf> Accessed 16 August 2021.

2. Russia - Belarus ($ 10.58 billion, including 81% - Russian FDI).
3. Russia - Ukraine ($ 5.96 billion, including 87% - Russian FDI).
4. Russia - Uzbekistan ($ 5.35 billion, including 99% - Russian FDI).
5. Russia - Armenia ($ 3.45 billion, with almost 100% Russian FDI).

It can be seen that the two leading pairs are with its partners in the CIS with Russia, and from their side there is a quite tangible counter flow of capital investments - in contrast to Ukraine and especially Uzbekistan.

Without the participation of Russia, only nine investment pairs (out of 55 possible) had accumulated mutual FDI by the end of 2019, of at least $ 80 million[83]:

1. Azerbaijan - Georgia ($ 1.95 billion, dominated by Azerbaijani FDI). 2. Kazakhstan - Kyrgyzstan ($ 0.61 billion, dominated by Kazakh FDI).
3. Kazakhstan - Georgia ($ 0.46 billion, dominated by Kazakh FDI).
4. Azerbaijan - Ukraine ($ 0.18 billion, dominated by Azerbaijani FDI). 5. Ukraine - Georgia ($ 0.18 billion, dominated by Ukrainian FDI).
6. Georgia - Armenia ($ 0.10 billion, over 3/4 are Georgian FDI).
7. Kazakhstan - Belarus ($ 0.09 billion, with Kazakh FDI exceeding Belarusian FDI by less than two times).
8. Ukraine - Moldova ($ 0.08 billion, dominated by Ukrainian FDI).
9. Kazakhstan - Uzbekistan ($ 0.08 billion, dominated by Kazakh FDI).

In fact, in these pairs, the "neighborhood effect" is mainly manifested. The only exception is Kazakh-Belarusian counter investments (and they are the most balanced in terms of the ratio of FDI stocks received by partner countries).

Of the significant investment pairs of previous years, Moldovan-Kazakhstani ties can be singled out, and they were dominated by FDI from Moldova. In 2008-2009, the volume of these investments exceeded $ 100 million and was concentrated in the fuel complex.

In general, it is too early to talk about the impact of the CIS integration project on mutual FDI. The point is that direct investment is a much more inertial process compared to foreign trade. The only unambiguously positive sign is the preservation of intensive investment contacts between companies from the countries participating in the CIS; at the same time, clearly negative political decisions are almost instantly perceived by TNCs. This is clearly evidenced by the events of recent years in Ukraine. As for specific quantitative parameters, they were influenced by a large number of factors not related to integration (starting with the decline in GDP in Russia and the devaluation of the Russian ruble).

In more detail, mutual FDI of the CIS countries, including individual projects of recent years, will be considered in the following papers of this study, especially focusing on Ukraine and Republic of Moldova. Here, we focus only on general trends that may indirectly indicate the preferences of certain post-Soviet countries for mutual FDI.

Thus, compared to the peak of 2012, the accumulated Russian FDI in the CIS countries and Georgia decreased by the end of 2019 by 26.6%, while FDI in the four CIS partners - by only 4.2%. At the same time, we emphasize that in Armenia, Belarus and Kyrgyzstan, in general, there was an increase in the accumulated amounts of Russian FDI. Of course, such a big difference in dynamics

[83] ibid

is primarily due to the curtailment of the previously very active investment activities of Russian TNCs in Ukraine (in addition, since the end of 2014, investments by Russian companies in Crimea and Sevastopol have ceased to be considered FDI). Nevertheless, over the past four years, FDI stock from Russia, in countries such as Azerbaijan, Moldova and Tajikistan, have decreased.

At the same time, Kazakhstani FDI accumulated in the CIS countries and Georgia as a whole, in comparison with 2012 decreased by 28.8% over eight years, while FDI in the CIS countries - by 32%, and the decline was observed in all countries except Belarus[84].

However, it should be borne in mind that the smaller decline in countries outside the CIS was provided mainly by Georgia, mainly due to one transaction - the successfully completed construction of a five-star hotel in Borzhi by the oil and gas giant of Kazakhstan KazMunayGas. On the contrary, almost 59% of the decrease in FDI in the CIS is associated with the finding of owners from among Western investment funds for most of the office and retail buildings of the Metropolis complex in Moscow by the developer Capital Partners.

Since investments in Russia dominate in Belarusian FDI, it is not entirely correct to compare the dynamics. It is sufficient to say that in 2016-2019, FDI from Belarus increased not only in Russia, but also in Kazakhstan and Kyrgyzstan, as well as Armenian FDI in Belarus (the remaining FDI flows within the CIS, for small countries is approximately stable or negligible in terms of volume)[85].

Analysis of specific companies often shows that the CIS factor is not directly taken into account by them when making decisions on the implementation of FDI. At the same time, as in the case of the historical examples of the European Union, the companies of the countries participating in the integration group will inevitably begin to increase mutual investments, if the liberalization of foreign economic relations of the participating countries turns out to be real, even in the absence of a clearly expressed support for economic integration it will increase.

3.4. Labor migration

One of the major links connecting Russia with a number of the CIS states, primarily in Central Asia, are the large migration flows.

From 2000s the flow of labor migrants from the CIS countries to Russia increased significantly. In 2019, according to the Federal Migration Service (FMS), were legally working 1.780.000 CIS citizens (in 2000 – 106.000 people.).

The former Soviet Union and Russian Federation advocates the largest importer of labor from Uzbekistan, Tajikistan, Ukraine, Kyrgyzstan, Moldova and Armenia. According to official figures, the immigrants were dominated by people with secondary (complete or incomplete) and vocational education. Despite the improvements in recent years, the situation in the field of migration, legalization of migrants, identifying their presence in Russia, the actual number of illegal migrants in Russia is not comparable to the official statistics which suggest 5 milion, and is

[84] Ibid.
[85] Ibid.

estimated 10 to 20 million people[86]. The Russian labor market is attractive mostly for low-skilled labor from the Central Asian states.

According to the Russian Labor Ministry, the total payments under articles of Russian labor migration for the benefit of the CIS for the period 2009-2019 is close to $ 130 billion. This is more than half of Russia's revenues from energy exports to the CIS in the same period.

Revenues of citizens working abroad, especially in Russia, are for the economies of the CIS countries a great importance: the World Bank data show that in 2008 remittances (gross) were equivalent to 49.6% of GDP in Tajikistan, 31.4% Moldova's GDP, 27.9% of the GDP of Kyrgyzstan, 8.9% of Armenia's GDP. Comparable with 2019, 38.2% of GDP in Tajiskistan, 15.5% in Moldova, 30% of GDP in Kyrgyzstan, 11.8% of GDP in Armenia.

With a total cost of relatively cheap migrant labor, however, is an important factor in the economic development of Russia, especially in view of population decline. By some estimates, due to labor migrants in the country create 3-5% of GDP[87]. At the same time the use of migrant workers in cases of illegal and uncontrolled employment hinders the modernization of production, and has a negative impact on the quality of building and infrastructure construction and becomes a source of criminal business and the counterfeit goods leads to an increase in social and ethnic tensions in the regions of mass influx, as well as an increase in organized crime.

3.5. Direct and indirect financial transfers

In the analysis of the Soviet period is necessary to pay attention to the fact that intra Union prices were considerably less favorable for it than the ones used for transactions to the rest of the world. This situation has arisen because the USSR exported products (energy, metals, equipment) on the world market at higher prices than the ones used for intra- union transactions, while widely imported products of light and food industries have been evaluated on the world market relatively cheaper than in the domestic market.

As a result, the majority of the former Soviet Union’s republics (particularly Belarus, Moldova, Republic of Transcaucasia and the Baltic states) gained by, importing Russian raw materials mainly at lower prices than the ones performed on the global market.

The volume of indirect subsidizing, by using the price system, by Russia to other republics in the last period of the Soviet Union was quite high, for example of about 24 billion rubles in 1989.

At the beginning of the reform when the economic links between the former Soviet republics have evolved largely by inertia, continued the practice of subsidizing Russian post-Soviet states in various forms, including the mandatory public procurement of products from Russia to the CIS countries, at preferential prices.

After the collapse of the Soviet Union, Russia was the successor to the rights and obligations of the former Soviet Union, including in the financial sector. Over 107 billion dollars was the

[86] Chudinovskikh, Olga. 2018. “Work Session on Migration Statistics Item 3 of the Provisional Agenda Integration of Data from Censuses, Administrative Sources and Surveys for Measuring Migration Statistics on International Migration in Russia: The Current Situation*.” https://unece.org/fileadmin/DAM/stats/documents/ece/ces/ge.10/2018/mtg1/RUS_Chudinovskikh_ENG.pdf

[87] idem

amount paid by the Soviet in terms of debt payments in exchange for foreign assets of the former USSR and for the preferential treatment from the Western countries and international financial organizations.

Russia virtually simultaneously removed the external constraints to the development of other post-Soviet states, which was not appreciated and they did not bring tangible benefits to Russia. It was in the first period of reforms that support, especially financial, from Russia was the main condition for the survival of post-Soviet states.[88][89]

The financial support of the European states and the return on foreign assets of the USSR proved to be very modest. In 1992-1997 the total amount of payments on foreign debt of the former Soviet Union members totaled $ 2.1 billion on average per year compared with the amortization schedule set by the loan agreements of 13.5 billion USD taken in the initial stage of reform attempts to start effective reintegration project in the CIS scales were unsuccessful, in part because of the lack of a clear position on this issue in Russia.

In the subsequent period of the 1990s in connection with the liquidation of the ruble zone and the change in economic conditions of cooperation within the CIS, the reorientation of trade flows in the CIS countries, along with the deepening of economic recession in Russia, the size of subsidies and other forms of assistance - direct and indirect - to CIS countries declined markedly.

However, in the 1990s such subsidies were justified, at least in part, by the fact that, on one hand continued the practice that existed in the Soviet Union, and on the other hand, have been inextricably linked with access to the lion's share of foreign exchange earnings of the country, needed to solve urgent social and economic problems.

Substantially compensated preferential tariffs for pumping fuel through energy transport system of Belarus and Ukraine, and lower prices for transshipment and storage of goods in Ukrainian ports is also considered an indirect transfer from Russian Federation to Ukraine.

Assessing the situation of the energy subsidies in the 1990s., we may observe that they were beneficial in the absence of alternative sources of fuel and transportation routes.

Direct investments, and loans to Russia in favor of the CIS in the 1990s were very small by virtue of their heavy financial position of the Russian Federation and were not for Russia a serious encumbrance.[90]

Russia funded various types of integration projects and initiatives that did not prove to have a practical impact. The CIS countries benefited the Russian support system through different commercial waivers and preferential tariffs until the economic crisis of 2008. After this episode Russia turned towards west to EU and east to China for commercial exchanges and preferential tariffs.

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[88] "Вестник Банка России | Банк России." n.d. Www.cbr.ru. Accessed August 16, 2021. https://www.cbr.ru/about_br/publ/vestnik/year/2021/.

[89] Robinson, Neil. 2013. "Economic and Political Hybridity: Patrimonial Capitalism in the Post-Soviet Sphere." *Journal of Eurasian Studies* 4 (2): 136–45. https://doi.org/10.1016/j.euras.2013.03.003.

[90] ibid

Table 16. ***Hidden Russian subsidies to Belarus and Ukraine in the supply of energy at preferential prices (million dollars)*****

	2000-2002	2003	2004	2005	2006	2007	2008	2009	Total for the 2000-2009
	5799.7	2315.0	2532.7	5111.9	7475.6	5894.3	11344.8	4420.7	44893.8
	1764.4	728.6	898.0	2422.7	33.76.6	2490.4	5455.2	1970.7	19106.7
	4035.3	1586.3	1634.7	2689.2	4099.0	3404.0	5889.6	2449.9	25787.1
	15.3	13.1	11.0	16.9	20.2	13.0	18.9	9.0	15.0
	4603.6	1987.7	2588.9	3147.4	153.0	54.4	549.8	1495.7	15090.4
	4.1	4.0	4.0	3.7	0.1	0.4	0.3	1.3	1.8
	10403.3	4302.7	5121.6	8259.3	7628.6	6458.7	11894.6	5916.4	59984.2

Source: *Calculated according to the Federal Customs Service, Federal State Statistics Service and the national statistics Belarus and Ukraine*

** the direct subsidies towards the CIS countries somehow stopped after the financial crisis, and no more relevant data was found after the end of the economic crisis of 2008-2009, in specially because of the hard hit petroleum sector of the Russian Federation.

Due to the achieved, in the most recent agreements on the terms of Russian gas supplies to Ukraine, integrated into the more general positive economic and political context of bilateral cooperation, as well as the preservation of sufficient concessional tariffs for its transit situation on the Ukrainian transport system, has now leveled off and is not substantially burdensome for Russia financially.

Adopted in early 2010, the decision to change the customs duties of Russian oil supplied to Belarus (export duty is levied on the volume necessary to meet the domestic needs of Belarus, while the oil flowing into the country in excess of this amount is subject to a standard export duty) allowed the application of a more transparent and rational set of terms on bilateral cooperation based on the principles of partnership and economic feasibility. However, the absolute size of energy subsidies to Belarus remained at a high level.

Hidden subsidies through low prices for natural gas were carried out in respect of Moldova and Armenia. Formally, the low price gas policy was carried out in exchange for the sale of "Gazprom" assets in these countries (and gas distribution networks - in Moldova - part of the main (transit) gas pipeline).

A significant increase in arrears is also observed in Moldova for the delivered gas, even at reduced prices (from both the fact of Moldova and Transnistria in particular, which was payable at the beginning of 2017 for the amount of $ 3.3 billion.).

Apart from the purely financial, long-term practice of energy supplies from Russia to CIS countries at prices significantly below global markets, yielded significant indirect benefits for the Commonwealth states in the form of supporting a transformation of their economy and gaining their competitive advantage, otherwise absent.

Solely due to energy imports from Russia, Ukraine and Belarus increased their exports of petroleum products, ammonia, nitrogen fertilizers, etc, while Ukraine significantly increased

competitiveness of its main export industries - iron and steel industry. In addition, both countries have large enough quantities of re-exports that come from the Russian oil and gas, gaining large profits from the price difference.

At the beginning of the 2000s. the re-export of Russian oil and gas exports, of raw materials and manufactured products provided approximately 20% of the total revenues from exports of Belarus ($ 1.5 billion per year.), and 8% - Ukraine (. over $ 1 billion), in the mid-2000s. - 26% (US $ 3.6 Bln.) And 10% (US $ 3.2 Bln.), respectively, in some cases, the Belarusian and Ukrainian exports of Russian oil and gas resources are in direct competition in the markets of third countries with the supply of similar goods from Russia.[91]

Summing up, for 2000-2009 interval, Belarus and Ukraine, the re-export of Russian oil and gas raw materials, raised to more than $ 76 billion.[92]

The situation however is looking different in 2019, see table below

Table 17. ***Revenues of Belarus and Ukraine on exports of Russian oil and gas resources in 2019. (Billion dollars).***

	Belarus	Ukraine
Petroleum products	40.35	6.39
Residual petroleum products	1.60	0.60
Carbon powder	0.00	0.20
Ammonia	0.00	2.50
Primary petrochemicals	0.10	1.40
nitrogen fertilizers	2.10	9.80
Total	44,16	29,97
Re-exports of oil	4.00	0.60
Re-export of gas	-	1.70
Total	4.00	2.30
The overall result	48.16	31,47

Source: *calculations based on COMTRADE, national statistics Belarus and Ukraine*

Since the mid-2000s, there was a significant increase of the financial flows from Russia to the CIS, primarily on goods, reflecting the movement of direct investments, loans and credits and related to labor migration.

The increase of the net liabilities of the CIS countries to Russia was largely due to the high level of infusion into the Belarusian economy, higher energy prices, etc.

The negative balance for Russia has increased tenfold over the past decades, in 2008 reached US $ 22.6 billion with the CIS. (This value is comparable to that available to the Russian

91 “Новини Державної служби статистики України.” n.d. Ukrstat.org. Accessed August 16, 2021. https://ukrstat.org.
92 Ibid.

surplus in trade in goods and services to the CIS). The total net outflow of financial resources and capital from Russia to the CIS (for the period 2000-2009 amounted to about $ 111 billion.[93]

Table 18. ***The movement of financial resources and capital in Russia's relations with the CIS countries (according to the balance of payments of the Russian Federation, in millions of dollars.)*****

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total 2000-2009
The balance of direct investment	-272	-495	-470	-648	-910	-840	-2058	-3109	-3510	-3447	-15759
The balance of loans and borrowings (unexpired)	399	-201	-338	542	737	-148	827	-3375	-2345	-2378	-6280
The balance of trade credits and advances granted	-500	-532	598	-799	-1132	-5279	-469	-711	0	-1737	-10561
The balance of the article "the timely receipt of export proceeds, non-supply of goods and services on account of remittances for import transactions, remittances against fictitious transactions in securities"	-1418	-894	-815	-699	-406	-1320	-159	-238	-237	-181	-6367
The balance of labor migration	-142	-541	-756	-1346	-2847	-4492	-8947	-14947	-22557	-15618	-72193

[93] "Статистика военных лет." n.d. Rosstat.gov.ru. https://rosstat.gov.ru/folder/81831.

Total specified entries	-1933	-2663	-1781	-2950	-4558	-12079	-10806	-22380	-28649	-23361	-111160

Source: *“Статистика военных лет.” n.d. Rosstat.gov.ru. https://rosstat.gov.ru/folder/81831.*

** this kind of calculations stopped after 2009, and there no more released for the public, it si relevant for our study, because of the general picture of the best years of the CIS organization and the Russian implications.

CIS countries have effectively benefited from the expansion of import demand in Russia, based on their geographical proximity, set up production and processing communications, got government subsidies, and took the most of the the cost advantages and the benefits of the duty-free access to the Russian market.

Russia consumed in 2019 about 50-55% of all imports from the CIS of machinery, equipment and vehicles,.[94]

Significant benefits encountered the countries of the Commonwealth as a result of the expansion of the trade turnover of Russia and third countries, as most of the export-import cargo transits pass through the territory of the CIS partners. Providing a variety of transport and transit services in Russia has become an important source of income in Belarus and Ukraine (eg, receipt of Belarus from the country services for rail, road and pipeline transportation reached $ 2.8 billion. 2000-2009., Or 1.3% of Belarus GDP during the same period). A more general quantification of CIS economic benefits with Russia, we have at Table 19.

Table 19.

Quantification of the CIS economic benefits of cooperation with Russia, 2009-2019.		
Energy supplies at preferential prices The net effect-more than US $ 50 billion. The result - increasing the competitiveness of the CIS countries and the expansion of of their exports, in t. ch. competing with the Russian Revenues of Belarus and Ukraine from exports of oil and gas resources - more than $ 76 billion.	Net revenue for articles of labor migration The net effect - more than $ 60 billion. The result - a significant stimulatory effect on the economies of the CIS countries - exporters of labor and increase the competitiveness of their human capital	The net inflow of capital (the balance of direct investment, loans, trade credits and advances, etc.) The net effect - about $ 23 billion. The result - stimulating and stabilizing CIS economies
Reference: The total Russian surplus in trade in goods and the services of the CIS - to $ 137 billion.		

Source: *calculations of Sergey Kulik Alexandrovny - Institute of Contemporary Development (INSOR) – Donetk,** - **(the documents I had checked are no more, because of the war in Donbas)*

[94] based on data of the Central Bank of the Russian Federation

Russia bears the multi-billion indirect losses due to the fact that the level of import duties in most Commonwealth countries is much lower than in Russia. This situation had an impact for Russia, devalued the effect of free trade with the CIS countries, due to high customs tariffs, quite a strong reject of imports from third countries in favor of the Commonwealth countries, while the latter, with low fees, actually put the Russian suppliers in the same conditions of competition with companies from other countries.

As a result, they get a double benefit - advantages in price competition in the Russian market and the possibility of promoting competition in their own markets by aligning the starting conditions for all suppliers. This situation did not have any significant negative consequences for Russia in 2000, because the whole of the Commonwealth of imports amounted to $ 32 billion, and nearly half of the purchases carried out in the Russian Federation.

However, over the years the position qualitatively changed: in 2008, total imports from post-Soviet countries reached $ 193 billion, of which Russia received less than a third. This is despite the fact that many domestic industry of deep processing is in need of markets in the CIS.

Especially sensitive is the lower level of tariffs in the CIS machine-technical production, which was one of the factors reducing in the current decade, the share of goods in the Russian export to the CIS and, on the contrary, increase the share of machinery, equipment and vehicles in Russia's imports from the CIS (10% - 22% in 2000 to more than 32% in 2008).

Thus, the balance of gains and costs in the mutual trade and economic cooperation between Russia and the CIS evolved in the 2000s. with an obvious advantage in favor of the Commonwealth states. This does not mean that Russia lost or something irretrievably lost, but clearly indicates the need to adjust the existing model of interaction of Russia with CIS partners.

The essence of the adjustment should be to short-term benefits that derive from the CIS countries cooperation with a much stronger Russian economy, linked with long-term, strategic acquisitions of Russia in the post-Soviet space, having mostly geo-economic in nature and requires consistent deepening of integration processes in the CIS up to the formation of a common economic space. But the movement in this direction should be predictable and guaranteed, which need effective levers and formats to promote the idea of integration in relations with CIS partners. In the post-crisis period, the choice of such ways for Russia will be less good than before the crisis, while competition from major non-regional powers for influence in the CIS will become more rigid. Russia should take into account these factors, concentrated and targeted to use its authority and potential influence in the CIS, principally to determine the nature of the interaction with key non-regional players.

3.6. Strategies of the Russian Federation towards the CIS member states markets

Ensuring Russia’s attractiveness as regional leader is possible mainly through the strengthening of its economic and scientific technical potential, enhancing national competitiveness through the implementation of the commitment for the development of the STI (science and technology innovation according to OECD and Russian government), manufacturing industry,

intensifying innovation and overcoming the shortage of fuel and raw materials for Russian exports, to better meet the needs of the Commonwealth partners’ new technologies and modern equipment.

The strengthening of Russia's positions in the CIS is closely linked to the serial development of equal and constructive dialogue with the international community recognized by independent states of the former Soviet Union at all levels of government and across a range of issues of mutual interest.

The improvement of Russia’s image in the post-Soviet space will contribute to the settlement and, if possible, prevent further "gas" and "oil" conflicts, achieving maximum possible output of the controversial energy issues from the sphere of public diplomacy, persistent work with partners on the basis of a pragmatic partnership business structures level.

"Energy war" caused an increase in anti-Russian moods in Belarus and Ukraine, have caused some damage to the business reputation of the country as a reliable energy supplier.

Deepening cooperation with the CIS countries is interesting in rapprochement with Russia as it can force the implementation to suffer additional financial costs. However, as worldwide economic assistance instruments should be open and in a transparent form (soft loans, debt relief, etc.), while reducing all forms hidden subsidies.

The donations should include clearly defined and legally binding reciprocal commitments. In relations with low-income CIS countries need to understand that cooperation with them should include a significant grant element, and bear in mind that increasing amounts of assistance to such countries is placed in many foreign countries and international organizations.

If they are not offered technical assistance, humanitarian and social aid, will be offered from other sources, and Russia’s status as a responsible, able-bodied partner may be questioned.

One of the most important condition for the successful reintegration of the former Soviet Space is the gradual transfer of the center of gravity to the integration efforts at macro level (the level of states and the agencies) to promote integration at the micro level (company level). This requires not only strict observation of the participating countries in the integration process, that need to reach arrangements for improving the conditions of access to each other's markets, but also the establishment of institutions of the system and stimulating regional integration mechanisms.

Therefore, the expansion of Russian economic presence in the CIS countries is closely linked to the implementation of a wide range of measures (financial, economic, organizational, institutional, information and consulting) aimed at promoting foreign trade and manufacturing activities of national business organizations.

These measures include: promotion of technological cooperation with related enterprises of CIS countries, including special customs regimes format, through tax, credit and other instruments; providing domestic investors by means of credit and guarantee support and solid guarantees investment protection; promote the establishment of joint ventures in high technology industries; diplomatic and political support for Russian companies at the highest level; promoting cross-border and interregional cooperation.

One of the tools in the effort to strengthen Russia's position may be initiatives to implement major trilateral projects in the economy of post-Soviet states with the participation of the European Union, Russia and other CIS countries. They may relate to areas of common interest - energy, transport, the creation of common infrastructure, environmental protection in the border areas, etc.

The implementation of joint projects will reduce the risks of distancing a number of Commonwealth states from Russia and soften the level of competition with the EU in the post-Soviet space.

An important tool is the strengthening of Russia's presence in the cultural and information field in the Commonwealth of partner countries, including through the support of the Russian language, preserving its function in means of international communication. One of the key directions of Russian policy in the CIS should be keeping the mood of society favorable to Russia and emerging new elites. They demand a radical improvement in image production work in the CIS, the interaction with the Commonwealth countries in the educational and scientific fields. In this regard, the labor migrants from CIS, must be approached not only as a source necessary for the Russian workforce, but also to be taken into account the fact that in many ways through the attitude of Russia towards the workers of the CIS forms the ratio of their ethnic homeland in our country.

In commercial and political terms, the strengthening of Russia's positions in the CIS may contribute to the gradual removal of the bilateral format of dialogue with the Commonwealth of the leading non-regional players on the level of the Customs Union and the CIS as a whole (where possible). The CIS could play an important part, if differences can be removed, but it is a long way of discussion about the actual hurdles, and maybe a rebranding as EurAsEC, is a step towards future.

In relations with China translation of the issues of cooperation at the level of the Customs Union and the CIS would be adjusted only strong bilateral economic diplomacy of the PRC on the post-Soviet space, based on large-scale financial injections.

Russia has defined, in some areas significant opportunities to influence the partners in the CIS, and a more detailed analysis of these options reflects the specific limitations of many of them and the need to find new approaches to working with the CIS.

The main instruments of Russian policy in the CIS are: financial and economic leverage (preferential energy supply, financial donation, access to the Russian market, regulation of labor migration, etc.) and political engagement.

As a lever to "energy map" has been steadily declining and will decline further to achieve the conditions / regional approach to world prices and the rising powers of processes of diversification of energy sources (with the development of mineral and raw material base and energy transport infrastructure of the CIS countries).

In addition, the use of the energy factor as an instrument of influence on partners becomes less appropriate in view of efforts that are being made to position Russia as a guarantor of international energy security.

Thus, by virtue of the reasons set in Ukraine - traditionally the largest consumer of Russian hydrocarbons - from the middle 2000s has significantly reduced its purchases from the Russian Federation: the domestic supply of oil to refineries in Ukraine decreased from 21.5 million tons in 2004 to 6 million tons in 2008, shipments of gas for the same period fell from 32.3 billion cubic meters .m to 3 b.cm. Simultaneously, Turkmen consumption of gas in Ukraine has increased from less than 30 billion cubic meters in 2002 to 52-53 billion cubic meters in the period of 2007-2008. After one accident on the Turkmen section of the gas pipeline Central Asia - Center in April 2009

and the subsequent suspension of deliveries of Turkmen gas to Russia, once again returned to the Ukrainian gas market with sales of around 19 billion cubic meters last year.

In accordance with the agreement from April 2010, with the Ukrainian leadership of agreements for gas in the medium term supplies of Russian "blue fuel" will amount to 30-40 billion cubic meters per year, but the delivery is closely linked to the Russia's geopolitical interests in the region, including motivated reduction in the consumption of Russian gas by Europe, under the influence of the crisis.

In continuation of energy issues in Russia's relations with Ukraine should be noted that the total volume of domestic energy transit through the Ukrainian territory of the 2000s, even slightly increased, while maintaining sufficient feed-in tariff for pumping. As a result, Russia and Ukraine (which received significant discount in gas prices) are interested in the stability of energy cooperation.

Russia's role as the lender and investor for the CIS as a whole has never been critical except for the first period of reforms, the different periods of the formation of large debts for the supply of domestic energy resources to Ukraine and Moldova, as well as cases of emergency support for the budgets of some countries.

There is however an exception - a long time Belarus and Armenia were in an unfavorable external environment and in need of continued financial support from Russia. But in any case, the financial factor in the overall context of Russian relations with the CIS countries is less important than energy, foreign trade, and migration.

Financial assistance to the CIS countries showed low efficiency, not only because of their limited nature, but due to the nature of political power and governance in these countries. Getting financial assistance, the Government of the Commonwealth states have not taken enough steps to modernize the system of economy and creation of internal mechanisms to ensure macroeconomic stability.[95]

Lack of efficiency of financial assistance to the CIS countries had a purely internal Russian cause. In Russia, there were no generally accepted instruments of state financial support for exports and investment and technical assistance to the economic development of foreign countries.

Government loans are processed or intergovernmental agreements and provided for the maintenance of macroeconomic stability, deal with emergency situations, the implementation of major projects, or indirectly, through the Russian contributions to international financial institutions, in which the donor's nationality.

In the crisis and post-crisis periods of financial leverage to ensure the interests of Russia in the CIS may further weaken. At first, the presence of extra-regional multilateral and international financial institutions in the region with a variety of packages has increased considerably during the crisis of financial assistance and credit support. Thus, the total amount of existing and agreed upon (end of 2009) under the financial crisis, IMF packages for CIS got closer to $ 23 billion, some being valued at $ 16.5 billion. Ukraine 3.5 billion dollars; for Belarus, $ 2 billion; Georgia, US $ 0.8

[95] "Russian Federation Trade Balance, Exports, Imports by Country and Region 2019 | WITS Data." 2019. Worldbank.org. 2019. https://wits.worldbank.org/CountryProfile/en/Country/RUS/Year/LTST/TradeFlow/EXPIMP

billion & for Armenia, $ 0.6 billion.[96] For Moldova, and 0.1 billion dollars. Tajikistan and Kyrgyzstan.

Russia is simply unable to offer CIS partners more money, and even more so on the same favorable terms as China, the European Union, and the leading Islamic countries. At the same time, strengthening the objective of multilateral and non-regional international financial institutions in the CIS space and superior financial capabilities of the main Russian competitors in the CIS in any case should not be considered a reason for refusal or deliberate cuts in budget spending on financial and technical assistance to the Commonwealth states.

Another thing is that the mechanisms of such assistance must be reformatted and where appropriate, to withdraw from the bilateral to the regional level (to mitigate the global crisis, the negative consequences for Russia the end of 2008 to which contributions were made by Armenia, Belarus, Moldova and Kyrgyzstan, financial resources raised to $ 5 billion - mainly loans on favorable terms and long term).

This approach will allow, while maintaining for Russia - the largest donor of regional financial institutions - leverage and control of the distribution of funds to attract additional though not very large volumes funding to meet the challenges of sustainable development of the CIS, lying in line with the strategic interests of the Russian.

Furthermore, for the successful development of integration processes in the CIS, which consists of qualitatively different national economies, it is absolutely necessary for collective financial institutions to perform stabilizing, adaptive and consolidating functions in respects to the Common Economic Space.

To date, it established the Eurasian Development Bank (EDB) and the EurAsEC Anti-Crisis Fund. EDB's charter capital exceeds $ 1.5 billion. of which the contribution of the Russian Federation amounted to $ 1 billion.

In February 2009, at the summit of the Eurasian Economic Community, it was decided to establish the EurAsEC Anti-Crisis Fund, whose shareholders were Russia, Kazakhstan, Belarus, Armenia, Tajikistan and Kyrgyzstan.

The total size of the Fund is scheduled for the level of $ 10 billion, of which the RF is $ 7.5 billion.[97] (In 2010, the Fund's resources amount to $ 8.55 billion.). Fund resources will be allocated to support countries in need, with low per capita income in terms comparable to the criteria of official development assistance.

Coordinated activism of these two financial institutions may well be a constructive counterweight to the expansion of extra-regional inflows of official financing in the CIS, largely stimulating the centrifugal tendencies.

In order to achieve something real and meaningful from Russia’s and other CIS countries’ point of view, the interests of performance of EDB and EurAsEC Anti-Crisis Fund may need recapitalization, and most importantly - it is necessary to accelerate the transition to the practical financing of priority socio-economic projects and programs, making the mechanism of allocation of funds operational and flexible. Crisis Fund may not be a bureaucratic organization.

There is still an acute problem for Russia, complicating promotion of its interests in the CIS, is underdeveloped institutions and export support mechanisms. The existing state guarantee scheme

[96] Ibid.
[97] Eaeunion.org. 2021. https://docs.eaeunion.org/ru-ru.

discriminates to some extent against the Commonwealth governmental council, relating them to the highest-risk group with a minimum limit for guaranteeing the volumes (and the classification of countries according to the level of risk by Russia and its developed).

Despite the obvious need to strengthen state support for business activities of Russian companies in the CIS, the current arrangements (with all their general imperfections) are not enough to stimulate and is not an indication of the priority of cooperation with the CIS, but on the contrary, a downplay in significance of this trend.

So, for the provision of state guarantees in the interests of the Russian exports of industrial products, the partner countries are divided into 4 categories according to the degree of risk (from 0 to the minimum category 3, 1-3 of which cover countries without an investment grade credit rating and to which limits guarantee) installed.

In the corresponding list of foreign states approved by the Russian Government (from 25.04.2008 No 566-r), practically all CIS countries categorized as 3 -. the highest risk group with maximum annual volume of funding from 10 to 50 million dollars. The entire amount of the annual limits for the 9 countries in the Commonwealth is 25% of the limit for Indonesia (category 1), 50% the limit for the Philippines (category 2) and is approximately equal to the limit of Macedonia (also included in the category 3).

These nine countries account for 7% of Russian exports and only 1.75% of the total limits, provided the guarantee scheme. Moreover, according to the list, the limit for Georgia (US $ 50 million.) is equal to the sum of the limits for the Ukraine, Uzbekistan, Turkmenistan, Kyrgyzstan and Moldova together. [98]

It is very difficult to detect the emphasis on cooperation with the CIS and other export support programs: in the implementation of the compensation mechanism of the federal budget interest rates on export credits; to provide grants to support small and medium-sized enterprises, producing and selling the goods for export.

In Russia, in order to form a competitive, comparable with foreign countries, national export support system in accordance with the request of the Russian Government (from 19.03.2009 No ISH-P2-1427) stipulates the formation of the Agency for Insurance of Export Credits and Investments, developed the concept of its own creation. It seems that further work on the development of the Agency in determining the main directions of its activities and the development of risk coverage policy should be taken into account as being the priority tasks of Russia in the CIS.

In addition to creating an effective system of support for exports, the actual task is the coordination and effectiveness of technical assistance programs to foreign countries. As one of the largest economies in the world and a member of the "Big Eight", Russia should allocate funds for technical assistance and humanitarian aid.

However, such funding is still weakly linked to the solution of the long-term political and economic problems of Russia in a given region. When content and format of the technical assistance is properly structured, it can become an effective tool strengthening the positions of Russia in the CIS.

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[98] Source: Order of the Russian Federation Government of April 25, 2008 №566-р

For the greatest effect of the CIS technical assistance, is necessary to isolate actions from the other areas of this assistance, to make them regular and systematic in character of tasks, bring the regional inter-state level through the creation of a collective bureau of technical assistance to the CIS, where Russia as the most advanced and largest economy, should bear the burden.

At the same time funded projects need to coordinate with country objectives and needs to take into account their aims - but within the framework of the strategic interests of Russia in the CIS.

In the formation of policy and mechanisms for technical assistance to CIS, it is advisable to look at the European experience gained by them in the implementation of the TACIS program (Technical Assistance CIS). In addition to energy and financial leverage in the CIS (in one of which the options are reduced, while others will have to form) are stored powerful levers caused by the leading role of Russia as a market for manufactured goods and agricultural sector of the CIS countries, as a major employer for their citizens. In practice, this means permanent great interest in the preservation and continuation of cooperation with Russia in a large group of enterprises and entrepreneurs of the CIS states.

The issues of access to the Russian market are also very important and sensitive for their governments. The sharp fall in prices of industrial raw materials and semi-finished products in the world market because of the crisis has further strengthened in the minds of the post-Soviet elite understanding of the key role of the Russian market in ensuring a balanced development of the economies of the Commonwealth. However, the impact on the CIS partners with the help of such levers is quite difficult because of the special socio-political sensitivity of any restrictive measures in these areas. Any such action on the part of Russia (and even legitimate and justified) will affect the interests of major groups in the countries of the Commonwealth and can stimulate unwanted mood for Russia. The possibilities arising from the process of political interaction of Russia with the CIS countries are represented in the short term, a more effective tool. In most cases, Russia is a natural and desirable ally for Commonwealth countries, although important, but not decisive role in shaping policy in a number of CIS countries, playing the anti-Russian factor. In this regard, it should be noted that the appropriate use in the hands of Russian political resource management - a key factor that has prevented the collapse of the CIS structures and provide some progress (in response to political support) for Russian big business interests in the partner countries. However, the dominance of the political factor in the system of economic partnership in the CIS has created, a number of internal imbalances.

Firstly, the "transfer"- the main focus of economic, integration interaction at the highest level it has caused the gap between the interests of the main categories of business entities - small and medium-sized businesses that provide the necessary critical mass to start real integration mechanisms.

There has been a "pulling up" of the lower levels of the relationship (experts, inter-ministerial) at the level of political interaction. The dialogue at the highest level, providing a key framework for cooperation between the CIS countries (political support of the CIS, CSTO, EurAsEC, SCO) and promoting a number of important projects could not completely solve all the problems of creating a legal and contractual environment conducive to trade and investment, support for exports, economic policy coordination, harmonization of legislation, and so on. Even more was the disproportion between multilateral cooperation and bilateral - in favor of the second.

The political influence of Russia in the partner countries is carried out mainly in the bilateral format. This pushed the issues of formation of the integrated structures in the multilateral framework of the CIS by the wayside. Individually motivated exclusively by political means on the formation of the CIS (Commonwealth of format in all) common economic space has not been possible - too much political contradictions and discrepancies in interests. Instead is opted for gradual "tightening" of the CIS through the formation of its successful "integration core" of the Customs Union, and then connect in one way or another to this "core" of other countries. There was a problem of management and political dialogue at the highest level with partners in the CIS, determined by the basic direction of the work of government structures that underpin its programmatic bilateral documents (and their development, their implementation by national control systems). There is a saturation of bilateral agendas involved and core competencies. As a result of the partners perceptions, about each other as part of the integration process, the cooperation is highly disfunctional. Also there is a weak coordination between bilateral dialogues. Without countering such dynamics of the process, to help form a common economic space in the CIS, the whole process could face a shortage of incentives and implementation mechanisms.

When assessing Russia’s capabilities in the Commonwealth, we should separately consider Belarus. The dependence of the latter to Russia is very high - and on a wide range of areas and economic interaction. Russian-Belarusian relations are characterized by a significant asymmetry of motivation and results of cooperation between the parties: the benefits (acquisition) for Belarus on cooperation, have immediate effect and are vital to this country's character, while the Russian current interests are being underplayed, and the possible (very uncertain) dividends from cooperation referred to future. The benefits, income and the assets of Belarus to cooperate with Russia (on five levels: capital flow balance, the indirect energy subsidies, income from exports to third countries of goods from the Russian oil and gas resources, the revenues from exports of goods and transport services in the Russian Federation) have achieved in recent years 60% of the Belarusian GDP. However, Russia must maintain a high intensity of bilateral cooperation with Belarus on the basis of geo-economic and military-political considerations. Therefore, in relation with Belarus, the main problem is formalizing and give a real meaning to the relationship of long-term strategic partnership in the spheres of economy and politics.

3.6. State Corporatism in Russia – Gazprom and the Russian foreign policy

After the collapse of the Soviet Union, the most important gas transportation system of the country manages to get rid of the Russian control and turn to the gas company "Gazprom" in a state owned company, with a monopoly position. Milestones of the formation of "Gazprom" as a company that provides influence on the foreign policy of the state, and it was later transformed into an instrument for the domestic political games, that have taken place during presidency period of the company of R.I. Vyahirev.[99] This proved fatal for the company and the first decrees of the President Russia B.N. Yeltsin, including: Decree No538 on June 1, 1992 "On providing activities

99 Darden, Keith A. 2010. *Economic Liberalism and Its Rivals : The Formation of International Institutions among the Post-Soviet States*. New York: Cambridge University Press.

for the unified gas supply system "163 and Decree No539 as of June 1, 1992" On urgent measures for the development of new gas deposits on the Yamal Peninsula in the Barents Sea and the islands offshore Sakhalin "[100] - According to these documents the entire gas market is under full control of "Gazprom", and all the property of the new gas complex goes to the jurisdiction of the state in a form of natural monopoly. The company also receives priority access to the most promising gas fields. In return "Gazprom" has an important political function - deliver their products as payment for the maintenance of Russian troops in the Baltic states.

In November 1992 another decree issued by the President No1333 "On the transformation of the state gas company in the Russian joint-stock company" Gazprom "[101], according to which mining and transport capacities are wholly-owned by "Gazprom", and the service and other ancillary companies pass the state monopoly controlling stake with a share of at least 51%. The state, in turn, receives 40% of the Russian equity Society (RAO) "Gazprom". In the period 1991-2000 the Ministry of Fuel and Energy had ten different ministers. Each of them was a protege of prime minister and was a representative of the new Russian political elite and each tried to use the "Gazprom" as a tool to achieve political and economic goals of the state. Nevertheless, the Government, chaired by E. Gaidar for the first time in 1992 attempted to create some competition. However, in the same period, the steps taken for the implementation of an "Objectionable" plan led to the removal from office of the first minister of fuel and energy B. Lopuchin. His place is taken by Viktor Chernomyrdin, who is not ready to make any drastic changes in the gas sector and contributed to the preservation of the monopoly throughout the entire tenure as First Minister of Fuel and Energy, and later Prime Minister of the country.

This lack of control in the financial assets of the company developed in privileges for the company in regard of funds and tax. The policy in relation to the "Gazprom" has led to a smooth privatization of the concern (small parts of it) with the interests of the one's in the management of the company. However, the government does not allow "Gazprom" to be fully private, the state monopoly is the main financial and budgetary source.

In the period up to 2000 the gas monopoly resulted to long-term contracts on gas supplies to Europe, treaties with foreign consumers and investors, which are strategically important for the development of business and industry in general, acquires equity in foreign companies and is expanding its presence in foreign markets . "Gazprom" unquestionable confirms the reputation of a reliable partner, earned during the time of the Soviet Union. Then was still a "state within a state", clearly fulfilling its obligations to the country, but at the same time reserving the right to maintain the opacity of cash flows[102].

All that changed with the coming to power of Vladimir Putin and the new generation of the political elite. From the first steps the new president and the new government got to the establishment of other orders of gas business in Russia. Already in 2001, it is changing the

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100 “ОБ ОБЕСПЕЧЕНИИ ДЕЯТЕЛЬНОСТИ ЕДИНОЙ СИСТЕМЫ ГАЗОСНАБЖЕНИЯ СТРАНЫ. Указ. Президент РФ. 01.06.92 538. Предпринимательское право.” n.d. Www.businesspravo.ru. Accessed August 16, 2021. http://www.businesspravo.ru/Docum/DocumShow_DocumID_40852.html.

101 “Информационно-правовой портал России.” n.d. Bestpravo.ru. Accessed August 16, 2021. http://www.bestpravo.ru/fed1992/data01/tex11141.html.

102 “Безрукова М.. Особенности общественной дипломатии Германии в России.” 2014. *Тренды и управление* 3 (3): 237–42. https://doi.org/10.7256/2307-9118.2014.3.12726.

governing structure of the national gas company. At the head of "Gazprom" Alexey Miller becomes the friend and companion of the new President, there are changes in the composition of the Board of Directors of the company: state representatives now occupy six of the eleven seats, which indicates the impossibility of lobbying, unfavorable to the government. However, it is worth noting that the year 2001 was not marked by the beginning Gas reform, all attributable to the need ongoing transformation of the system of care of uncontrolled financial flows and the formation of a new transparent financial activities of the company. Since 2001, "Gazprom" – is a largely government-controlled company, and the company is directly controlled by the President[103].

Vladimir Putin succeeded in the first years of his leadership to directly address to the decision sets accumulated over many years of problems, among which are: the maintenance of gas production despite the depletion of gas condensate fields; development of new gas-bearing provinces of the country; expansion and improvement of major pipeline projects. To implement the planned, "Gazprom" required the accumulation of huge amounts of money, which was only possible to seek the involvement of loans and investments[104].

The management of the company is developing a new development strategy, which it provides for the conversion of the state of natural monopoly in a multinational energy corporation. For the implementation of the planned, the company needs to ensure the growth of assets, possible during mergers and acquisitions policy. This development path is not simply providing a multiple increase in the capitalization of the company, but also expand the potential for the development of new gas fields of any complexity. But do not forget that the goal to turn the gas monopoly in transnational corporations intended to extend not only gas but also oil assets, while the oil component of "Gazprom" in comparison with the global TNCs remained quite small. In 2008, the president of Russia was elected Dmitry Medvedev, who since the early 2000s, was the head of the Board of Directors of "Gazprom". The new president of the country lobbied for the idea of combining the two giants of the oil and gas, "Gazprom" and "Rosneft" to optimize strategic resource in achieving foreign policy goals of the state[105].

If we talk about "Gazprom" in the XXI century, it is not only one of the biggest gas companies in the world, but also an important energy and chemical conglomerate. The main areas of the group's activities to date include: exploration, production, transportation, storage, processing and realization of gas. To ensure the mission statement, which is in a safe, efficient and balanced supply of natural gas, "Gazprom" maintains leadership status among global energy companies, diversifying its activities and markets. In the same year 2008, the company continues to overcome active work on external capacity and energy markets. In February 2008 between OJSC «Gazprom», Total and StatoilHydro was signed an agreement to establish a special purpose company Shtokman Development AG for the design, development, construction, financing and exploitation of first

103 Stern, Jonathan P. 2005. *The Future of Russian Gas and Gazprom*. Oxford: Oxford Univ. Press ; For The Oxford Inst. For Energy Studies. P 188

104 Соколов М. На газовом фронте. Режим доступа: www.expert.ru/columns/2006/12/18/naulitsepravdy/comments/209470; Независимая аналитическая Записка «Газпром»: что происходит на самом деле. Режим доступа: www.energypolicy.ru/files/GazpromProfile02-03-04.pdf accessed 20.12.2014

105 Tkachenko S. Actors in Russia’s Energy Policy towards the EU // The EU-Russian Energy Dialogue: Europe’s Future Energy Security / Ed. by P.Aalto – Asgate, 2008. P. 191.

phase facilities of the Shtokman field[106]. In the same month was signed an agreement to build a gas pipeline through Serbia, as part of a pipeline system "South Stream". In the continuation should be noted that the company in 2008 signed a contract with Iran to jointly develop "South Field Pars "reached an agreement with Bolivia on geological works on blocks Sunchal, Acero and Karauaycho, received a license to use subsoil promising gas-bearing areas on the territory of Kyrgyzstan, the memorandum was signed with Libya, and the Nigerian National Oil Corporation on cooperation, as well as a cooperation agreement with the Vietnam National Oil Corporation "Petrovietnam"[107].

The year 2009 was no less fruitful for the company: continued the rapidly evolving international policy vector of the Russian gas giant, Gazprom subsidiaries "Gazprom Nederlands BV" has the right to explore and produce hydrocarbons in the onshore El Assel geologically Berkin Basin in Algeria[108]. Ongoing new contracts with "Naftogaz Ukraine" on the transit of Russian gas through the territory of its western neighbor to Europe. The year 2009 was particularly important for OAO "Gazprom" starting on Sakhalin the first plant to produce liquefied natural gas (LNG), which was built in the framework of the "Sakhalin-2" project. The LNG plant processes gas produced in the framework of the "Sakhalin-2" international project. The annual capacity of the plant - 9.6 million tons of natural gas. Japan companies, the United States and the Republic of Korea have already bought most of this gas for 25 years. For the transportation of liquefied gas tankers will be used by the plant, accommodating from 18 to 145 thousand cubic meters of gas[109]. The establishment of this plant represents a milestone in the history of Russian energy exports, because until now, Russian oil and gas was sold, mainly in Europe[110]. Sakhalin plant, undoubtedly had an important impact on the situation on the world energy market: it will diversify not only the export of Russian gas, but also a resource imports of Japan, which, according to the data in 2009, imports nearly 40% of the world's liquefied natural gas.

According to the American edition of The Washington Times in the framework of the opening of a new factory, "Russian President Dmitry Medvedev has called for "New, innovative and unconventional approach" to addressing the long-standing territorial dispute between Japan and Russia over the islands north of Hokkaido to Tokyo called the Northern Territories, and in Moscow - the Kuril islands, but those deep emotions, which for decades experience Japanese in connection with the captured islands, from the end of the second world war, prevent Japan and Russia from signing a peace treaty. "[111] In a statement, The Washington Times, I think there are sarcastic notes: "One can only guess what he was thinking, Japanese Prime Minister Taro Aso, listening to his Russian counterpart. In 1905-1945 gg. Japan controlled the south of Sakhalin, and now forced to

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106 “Летопись ‘Газпрома’ 2008 г.” n.d. Www.gazprom.ru. Accessed August 16, 2021. http://www.gazprom.ru/about/history/chronicle/2008/.

107 ibidem

108 “Первый в России завод по производству СПГ открыт на Сахалине.” 2009. РИА Новости. 2009. http://ria.ru/economy/20090218/162439258.html.

109 https://www.washingtontimes.com, The Washington Times. n.d. “DALY: Russia Eyes Asia as Gas Customer.” The Washington Times. Accessed August 16, 2021. http://www.washingtontimes.com/news/2009/feb/27/russia-set-to-provide-liquefied-natural-gas-to-asi/.

110 Ibid.

111 Ibid.

purchase natural gas produced on the island, which once belonged to her. Perhaps this is not the best atmosphere for the discussion of the "new" approach to territorial disputes "[112].

If we delve into the history of the issue, the problem of Kuril Islands, comes from the time of the Second World War, solved for a long time: the South Kuril Islands became part of the The USSR, which was the successor of the Russian and the Russian sovereignty over them having the appropriate international legal registration, can not be questioned[113]. Accordingly, the Russian media noted that Japanese Prime Minister Taro Aso did not hide his satisfaction. He said that energy supplies have so close it was a dream of many years for Japan[114]. Japan adequately assess the situation in the region notes the need to build mutually beneficial relations with Russia as an important partner in the Asia-Pacific region.

We must not forget how the gas company is promoting their products to the Caucasus. In August 2009, OAO "Gazprom" opens the nonprofit export pipeline extending from Russia to South Ossetia "Dzuarikau - Tskhinval" - one of the highest pipeline in the world. The launch of this project was important not only for economic but also for political purposes. After the events of August 2008 South Ossetia was necessary to get rid of dependence on gas supplies from Georgia, which, for its part, has repeatedly used the energy lever for political purposes in the North and South Ossetia, which was also simultaneously gasified. Crescendo continues to develop and export group policy: in the autumn-winter period of 2009 OJSC "Gazprom" signed contracts for the supply of Russian gas to Azerbaijan, Ukraine and China. Within a few months, as the group begins construction of a new pipeline "Nord Stream", which to this day is the longest subsea gas export routes in the world[115].

The aim of this large-scale project becomes especially acute the need to increase gas supplies to European markets, bypassing some transit countries, which are strongly opposed to global new development of Russia. It's no secret that Europe is one of the largest trading partners of Russia, 65% of EU imports from Russia are energy. In the framework of the V International Conference "Energy Dialogue Russia - European Union", which was held in May 2010, the European countries do not hide their intentions to direct all our efforts to diversify supply of hydrocarbons and reduce dependence from Russia. However, noting the restructuring of exports by Russia, the European Union confirms that Russia must continue to be a key supplier of natural resources.

Russian Energy Minister S.I. Shmatko said at the anniversary conference in November 2010: "For ten years, our tandem - Russia - European Union consistently" pedaling "of international cooperation in the European energy market. And in this regard we have achieved notable success. Many truly groundbreaking initiative in the energy sector have been implemented only through our joint efforts, thanks to a complete mutual understanding "[116]. EU Energy Commissioner Oettinger, in turn, said: "They have taken the necessary and right decision. Over the past ten years this

112 ibid

113 “Япония хочет от России и газ, и Курилы.” n.d. KM.RU Новости - новости дня, новости России, последние новости и комментарии. Accessed August 16, 2021. http://www.km.ru/news/yaponiya_xochet_ot_rossii_i_gaz_.

114 ibid

115 “‘Северный поток’: технический шедевр и знак партнерства.” n.d. Vesti.ru. Accessed August 16, 2021. http://www.vesti.ru/doc.html?id=927561&cid=7.

116 “Доклады и презентации | Министерство энергетики.” n.d. Minenergo.gov.ru. Accessed August 16, 2021. http://minenergo.gov.ru/press/doklady/5670.html..

dialogue has become a model for other such initiatives "[117]. 2011 will be remembered that through a gas pipeline "Nord Stream" the first commercial supply of gas began. At the opening, the Russian president Dmitry Medvedev told the ceremony: "We are launching the first stage of the pipeline" Nord Stream ", which really opens up a new chapter in our country's partnership with the European Union"[118]. The leaders attending the opening of the project, expressed their mutual intention on the approximation, implementation of new projects, such as Shtokman and other promising fields. The EU side reaffirmed the importance of "Nord Stream" to maintain growth for the economy of the European countries and the Russian Federation. However, it is expected that transit countries will experience significant adverse effects. For example, "Naftogaz Ukrainy" will change not only the volume of gas transportation, but also reduce by approximately 20% of the company revenue.

"South Stream" project is also not standing still. European Commissioner for Energy Günther Oettinger advised the authorities of Ukraine to convince Moscow to abandon the construction of South Stream and finance modernization of the Ukrainian GTS. "I hope that the bilateral relations between Kiev and Moscow will develop for the benefit of a tripartite partnership between Russia, Ukraine and the EU, because it is cheaper to upgrade the existing pipelines than to build new infrastructure, ". Oettinger mentioned that the combined capacity was being built in 2011, underwater pipeline "Nord Stream" capacity of 55 billion cubic meters and the projected the gas pipeline "South Stream" capacity of 63 billion cubic meters amount to 118 billion cubic meters and will allow Russia to supply gas to the EU without the help of Ukraine or Belarus[119]. "South Stream" was seen as a competitor for the EU sponsored Nabucco project developed for the delivery of gas from South Caucasus via Turkey, Bulgaria, Romania and Hungary to the gas hub Baumgarten in Austria[120].

Russia's plans to build the "South Stream" are more complicated, despite many months of meetings and negotiations, as Agreement with Turkey on the project has not been achieved. Uncertainty on the Turkish side, seems to reflect the influence of the Minister of Foreign Affairs Ahmet Davutoglu, who is skeptical with regard to the Russian-Turkish Energy Union. When choosing between the "South Stream" and The Nabucco, the Turkish government would prefer the latter due to the fact that it will give a strong impetus to a long-standing plans to expand the domestic gas distribution network of the country and an increase in production of electricity.[121]

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117 Oettinger G. EU Commissioner for Energy, Keynote speech given at the EU Russia 10th anniversary high level conferenceEU-Russia Permanent Partnership Council forEnergy, 22.11.2010. Режим доступа: http://europa.eu/rapid/pressReleasesAction.doreference=SPEECH/10/673&format=HTML&aged=0&language=EN&guiLanguage=en, http://ec.europa.eu/delegations/ russia/documents/news/20101122_ru.pdf

118 “Труба для двоих.” n.d. ВЗГЛЯД.РУ. Accessed August 16, 2021. http://vz.ru/economy/2011/11/8/536810.html.

119 Ibid.

120 связи, ИноСМИ ru 2000-2021При полном или частичном использовании материалов ссылка на ИноСМИ Ru обязательна Использование переводов в коммерческих целях запрещеноСетевое издание — Интернет-проект ИноСМИ RU зарегистрировано в Федеральной службе по надзору в сфере. 2011. “‘Южный поток’ может исчезнуть.” ИноСМИ.Ru. March 18, 2011. http://inosmi.ru/politic/20110318/167459937.html.

121 связи, ИноСМИ ru 2000-2021При полном или частичном использовании материалов ссылка на ИноСМИ Ru обязательна Использование переводов в коммерческих целях запрещеноСетевое издание — Интернет-проект ИноСМИ RU зарегистрировано в Федеральной службе по надзору в сфере. 2011.

However, despite some obstacles, the first object "Southern flow "- an underground gas storage" in Banatski Dvor "in Serbia was introduced in operation in autumn 2011. Storage capacity of the facility is 450 million cubic meters. meters of gas, which are designed to ensure security of supply Russian gas to Hungary, Serbia, Bosnia and Herzegovina. And in December 2011, Turkey gave permission for laying the "South Stream" gas pipeline[122].

As of December 31, 2013 reserves of gas, "Gazprom" Group's Russian classification were estimated at 35.7 trillion cubic meters. In terms of production Gas Group, which accounts for 13% of world production, is leader among oil and gas companies in the world. In 2013, the company produced 487.4 billion cubic meters. meters of gas[123]. Regarding the transmission system, in Russia it's length of main pipelines has no match in the world and It is about 169 000 km. There is a total 786 gas, gas condensate and oil and gas fields discovered in Russia, of which 351 involved in the design field with proven reserves of 21 trillion cubic meters. m (or about half of proven Russian reserves)[124]

4. Russian Federation's economic relations with Republic of Moldova and Ukraine

I considered these two countries particularly interesting for my thesis due to their importance for the European Union and the fact that they are also the main buffer states between EU and the Russian Federation. The importance of these two states is given by their geo-economic position in relation to the European Union and because of the steps taken forward for integration, pursuing actively the EU membership.

Both of the states undergone great changes in regard to pro EU governments, and both experienced great social unrest in the years when the EU approach appeared as an opportunity. The common case of this two countries is given mostly by their membership to the European Eastern Partnership, and their proximity to EU member states, and their common experience of a socio-economic diversity regarding pro-Russian population and pro-European orientation.

These aspects gave birth to political and social unrests, resulting in conflicts (Ukraine – Donbass, Moldova – Transnistria) and further resulting in a geographical space for the clash between the liberal models of the West with that of an illiberal model of the Russian Federation. The similarities stop here, and in the following pages I will present the importance for the EU and Russia of these countries with their differences, in terms of geo-economics figures.

"'Южный поток' может исчезнуть." ИноСМИ.Ru. March 18, 2011. http://inosmi.ru/politic/20110318/167459937.html.

122 "Летопись 'Газпрома' 2011 г." n.d. Www.gazprom.ru. Accessed August 16, 2021. http://www.gazprom.ru/about/history/chronicle/2011/.

123 "О 'Газпроме.'" n.d. Www.gazprom.ru. Accessed August 16, 2021. http://www.gazprom.ru/about/.

124 Tkachenko S. Actors in Russia's Energy Policy towards the EU // The EU-Russian Energy Dialogue: Europe's Future Energy Security / Ed. by P.Aalto – Asgate, 2008. P.191.

4.1. Republic of Moldova

Throughout the period of transition, the Russian Federation was one of the main trade partners of the Republic of Moldova, which is due to the recent common historical past, geographical proximity and a wide distribution of the country's market.

The share of trade flows between Moldova and Russia in the total trade flows of the Republic of Moldova was reduced both as a result of natural diversification of trading partners in case of a state which became independent, and the vague rules of the game in trade relations, which the Russian Federation is applying to certain partners.

These factors have determined the reduction or, at least, fluctuations in some periods of time, of the exports to this destination. Thus, in 2014 Russia lost in favour of Romania the position of leader as the Moldova's export partner, and if we exclude from the calculation the re-export, it happened even earlier, in 2012.

At the same time, the share of imports from the Russian Federation in the total of imports in Moldova has not changed significantly, due to the strong dependence on mineral fuels, which account for 65% of the total Russian imports.

The signing of the Association Agreement with the European Union (EU) and the creation of a Deep and Comprehensive Free Trade Area (DCFTA) with the European Union have led to even greater dissatisfaction on the part of the Russian Federation. Sanctions followed almost immediately: tariffs on imports were introduced, and some type of imports from Moldova were banned.

4.1.1. Trade in goods. Moldovan exports to the Russian Federation

Historical progression 2004-2014

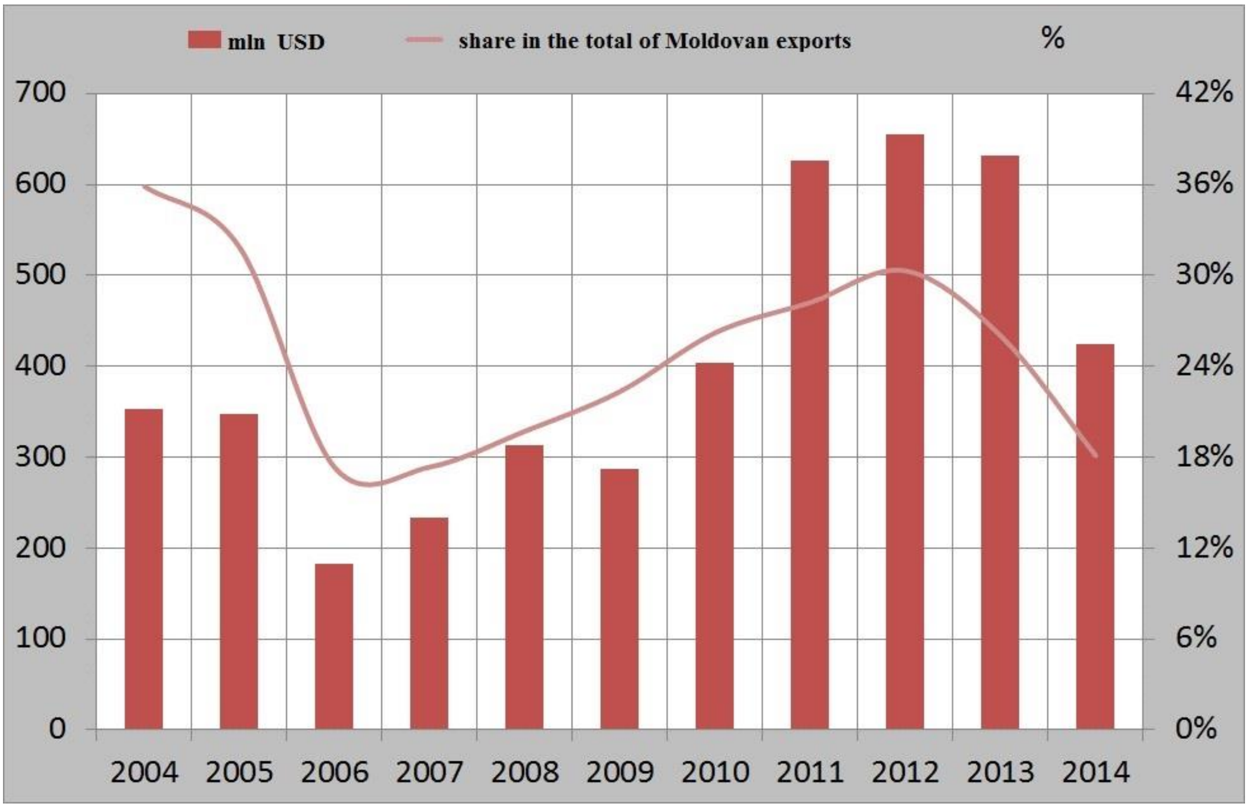
The share of Moldova's exports to the Russian Federation had a negative trend, and their volumes decreased significantly in 2006, when the most serious and long-lasting embargo of Moldovan products was placed and in consequence Moldova's economy had been hit hard as a result of the "wine embargo", which lasted for almost two years.

Exports to Russia that year felt twofold, and its share in the total volume of Moldovan export sales dropped to their lowest rate – 17.3%.

Even after the removal of restrictions on the imports, the share of exports to the Russian Federation did not return to the levels recorded before the introduction of the embargo, which is explained by several factors: (i) many winemakers have learned a brutal, but valuable lesson and diversified their export markets; (ii) some manufacturers didn't cope with the situation and have gone bankrupt; (iii) the part of the Russian Federation, followed by other embargoes - to plant, grape vine and wine production were suspended on several short periods of time; (iv) and, of

course, thanks to the development of relations with the EU and provide for more favorable terms of trade for the Moldovan trade regime (GSP, GSP +, and ITP eventually DCFTA), increased the exports. At the same time, the Russian Federation maintained its position as a leading partner for exports through 2013 (Figure 13).

Figure 12. ***The volume of exports to the Russian Federation (million USD, the main axis) and their share in the total Moldovan exports (%, minor axis), 2004 -2014***



Source: *UN Comtrade and VAT (for 2014);*

Moreover, the striking feature of exports to the Russian Federation is that of re-exports, goods which had previously been imported. The share of re-exports in total exports to Russia reached 58% in 2014 with the highest level of 63% in 2012-2013, which is two times bigger than the proportion of re-exports in the total volume of exports to other destinations except for Russia (29% in 2014).

Due to the fact that the re-export, as a rule, does not acquire a national processing origin, it is believed that it does not contribute to an increase in value-added, to a small extent influencing the production and employment in those sectors, from which it is derived.

Thus, although there is a number of classes of goods for which the Russian Federation is the leading export destination, a more careful analysis shows that for most of them the share of re-exports is significantly high. Therefore, vulnerability to possible shocks in trade with Russia is lower than it might seem at first glance. In addition, there are categories of products for which the share of re-exports is below local exports (total exports without re-export), regardless of the proportion of re-exports, which makes some economic sectors more dependent on the quality of the Moldovan-Russian relations.

Significant growth of re-exports to the Russian Federation started at a high pace in 2011 and was driven mainly by the re-export of a few product categories. A more detailed analysis shows that, for these products, as well as for other several groups that were not included in the table, remained relatively stable and in some cases increased.

This may indicate that the goods are actually re-exports - products that were not produced in the country and do not contribute to created added value, assuming that production capacity for certain products, including agricultural products, have not increased that much, to explain the growth of total export sales of certain categories of goods.

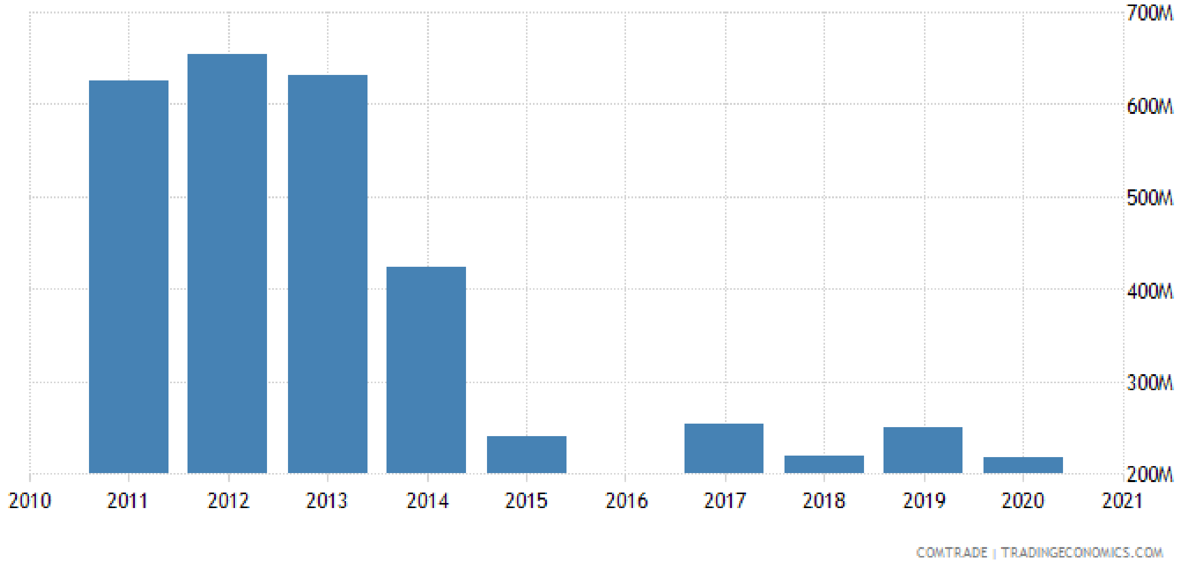
Table 19. ***Product groups, which in 2019 that had a significant increase in the proportion of re-exports to the Russian Federation***

Description	The share of exports in 2019
Edible vegetables and certain roots and tubers	66.2%
Pharmaceutical products	87.3%
Plastics and articles made of plastic	70.0%
Articles of apparel and clothing accessories, knitted or crocheted	52.2%
Other made-up textile articles; sets; clothing and textiles that were in use; rags	50.2%
Footwear, gaiters and the parts	42.2%
Black metals (steel, cast iron)	99.8%
Other articles of base metals	25.0%
Vehicles other than railway or tramway rolling stock, and parts and accessories	90.1%

Source: *Statistics, National Bureau of. n.d. "National Bureau of Statistics." Statistica.gov.md. https://statistica.gov.md/index.php?l=en*

Thus, further research will be devoted to the local export sales (total exports without re-exports) for a more objective analysis of the external trade of the Republic of Moldova and its impact on the economy. In 2014, local exports to Russia amounted to only 12% in the total Moldovan exports and this share has declined three times in the last decade (Figure 11).

Figure 13. ***The volume of domestic exports to the Russian Federation (USD million, the main axis) 2010-2020***



Source: b*ased on UN Comtrade data, www.tradingeconomics.com*

Under such circumstances, there are several groups of products, for which the Russian Federation is an important market (Figure 27). At the same time, it revealed a significant difference between the local export to the Russian Federation in 2013 and in 2014 due to several important factors: (i) the sanctions introduced by Russia in 2014, namely the introduction of import tariffs and bans on imports of several types of Moldovan products, (ii) a decrease in demand from Russia due to the difficult economic situation and the economic crisis, which hit trade, (iii) and the signing of the Association Agreement with the EU and the forceful entry of the DCFTA with the EU in September 2014, which helped increase certain categories of Moldovan exports to a number of European markets.

As a comparison with 2020, Republic of Moldova is changing its course due to the politics of the country.

Table 20. ***Product groups with a high proportion of domestic exports to the Russian Federation in the total local exports, 2014. Vs 2020***

Description	2014 %	2020 %	Exports to Russia	Total exports
Edible fruit and nuts; peel of citrus fruit or melons	15.6	12.5	↘	↘

Alcoholic and non-alcoholic beverages, vinegar	6.1	2.1	↘	↗
Carpets and other textile floor coverings	56.4	35.2	↘	↘
Meat and meat subproducts	32.2	12.1	↘	↘
Preparations of vegetables, fruit, nuts or other parts of plants	14.1	12.1	↘	↘
Nuclear reactors, boilers, machinery and mechanical appliances; parts	58.2	36.2	↘	↗
Tools and devices optical, photographic, cinematographic, measuring, checking, precision, medical or surgical; parts and accessories	21.6	17.1	↘	↘
Tobacco and manufactured tobacco substitutes	16.9	1.1	↘	↘
Other articles of precious metals	61.5	20.1	↘	↘
Chemical threads	24.6	15.2	↘	↘
Railway vehicles and equipment or the like, and parts thereof; mechanical signaling equipment	85.5	20.1	↘	↘
Edible vegetables and certain roots and tubers	43.6	31.2	↘	↘
Tools, implements, cutlery, spoons and forks, of base metal; parts made of base metal	91.8	25.1	↗	↗
Tanning or dyeing extracts; tannin and derivatives; colorants, pigments and other coloring matter; paints and varnishes; putty and other mastics; printing ink, ink	56.1	15.2	↘	↗
Zinc and articles made of zinc	24.4	3.1	↘	↘
Cork and articles of cork	66.7	5.1	↘	↗
Other base metals; metal ceramics	73.4	32.1	↘	↗
Inorganic chemicals; inorganic and organic compounds of precious metals, rare earth metals, radioactive elements or isotopes	0.3	42.2	↗	↗

Source: *based on UN Comtrade data and the Ministry of Economy*

Thus, certain commodity groups in the EU countries have managed to align to the position, and this has happened as a result of the reduction in exports to Russia, to reduce their negative effects, such as, for example, in the case of "edible fruit and nuts; peel of citrus fruit or melons' peel", "tobacco and its substitutes " and " filaments". However, the majority of products on which the volume of exports to Russia declined, opposed to the EU or other countries, was rather marginal, so that the total exports dropped quite significant. This was due to two important aspects:

- 2014 turned out to be more difficult from an economic point of view for many trade partners of the Republic of Moldova. Thus, even exports to these states declined due to lower demand.
- Diversifying export markets is not easy for some goods. Thus, in a number of European countries the demand for certain types of Moldovan products is virtually absent in view of its low competitiveness, or is lowered by the presence of other non-tariff barriers to its imports, for example, a discrepancy to sanitary and phytosanitary standards.

At a higher level of disaggregation, there are a number of products which are almost in whole supplied to the Russian Federation (Table 20). Among them, there are several products with a significant volume of exports higher than 10 million USD: "Apples, pears and quinces, fresh", "meat of bovine animals, fresh or chilled" and "Other vegetables, prepared or preserved otherwise than by vinegar or acetic acid, not frozen."

Sanctions established in 2014, that were intended to have as great impact as possible, caused Russia to be concerned over these products. Thus, the overall dependence on Russia reduced the ban precisely on those goods forming a high volume of exports and by this making the economy of Moldova quite vulnerable to Russia's sanctions.

Table 21. ***Product groups with a high proportion of domestic exports to the Russian Federation in total domestic exports, 2013-2014***

Description	2013	2014
Meat of horses, mules and hinnies, fresh, chilled or frozen	100%	100%
Turbojet and turboprop engines and other gas turbines	100%	99.3%
Meat of bovine animals, fresh or chilled	100%	91.7%
Other footwear with outer soles and uppers of rubber or plastics	96.4%	25.8%
Apples, pears and quinces, fresh	90.8%	35.2%
Tomatoes, prepared or preserved otherwise than by vinegar or acetic acid	84.1%	61.0%
Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	82.1%	34.9%
Butter and other fats and oils derived from milk; dairy spreads	81.3%	93.2%
Pumps for liquids, with or without a measuring device; liquid elevators	78.3%	95.4%
Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen	77.2%	52.4%
Meat of sheep or goats, fresh, chilled or frozen	77.0%	98.0%
Corks, caps and lids, sealing caps for bottles, corks threaded and membrane tubes, sealing and other packing accessories, of base metal	71.9%	63.1%

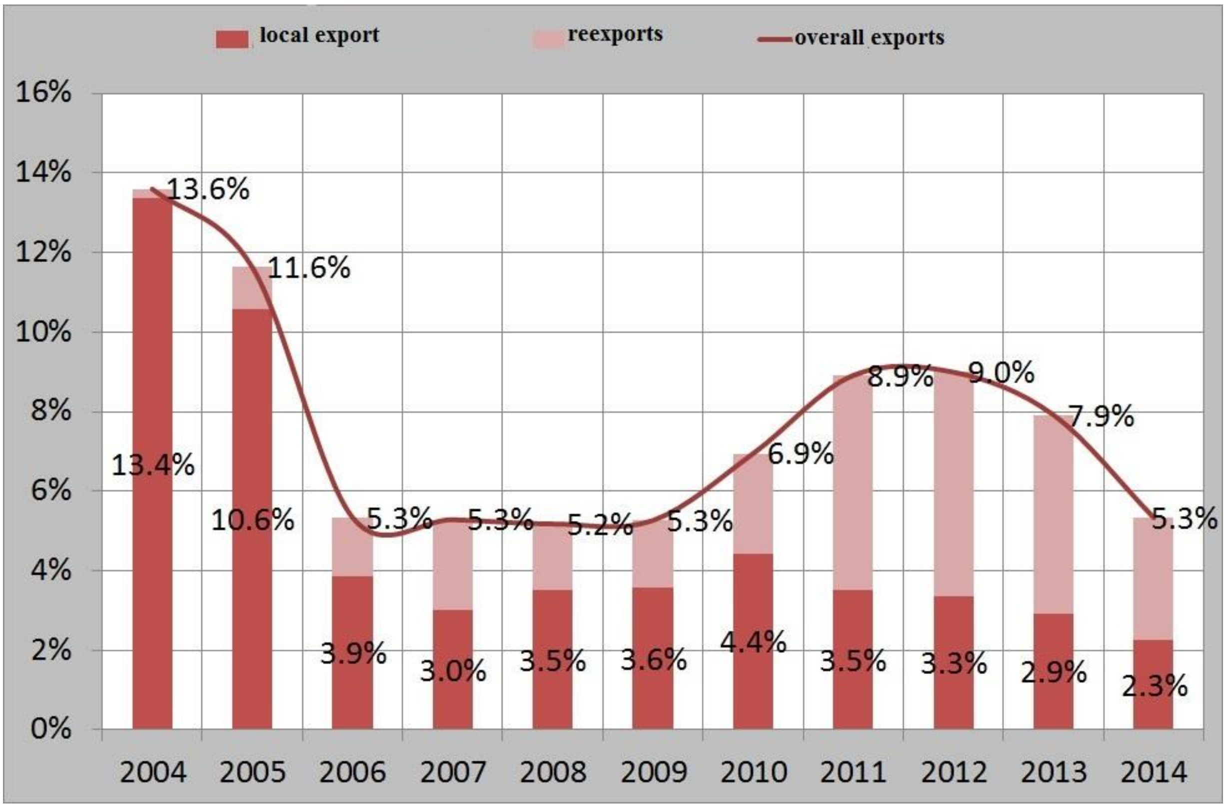
Note: The table has been included only commodity exports on which the local exports to Russia amounted to more than 1 million USD.

Source: *based on UN Comtrade data, and the Ministry of Economy of Rep. of Moldova*

The information contained in the previous section do not provide a comprehensive picture of the economic dependence of the Republic of Moldova's exports to the Russian Federation.

The share of exports in GDP and exports broken down by economic sector is also mentioned and in this case more information is required. Thus, in 2014 the export to the Russian Federation was 5.3% of GDP, and the local exports were equal to only 2.3% of GDP (Figure 29). Although this level is considered high enough to have a significant impact on the GDP of the Republic of Moldova, the situation cannot be compared with what it was 10 years in the past, when the share of local exports to Russia exceeded 10% of GDP.

Figure 14. ***The share of exports to the Russian Federation's as% of the GDP, 2004-2014,%***



The

Source: *based on UN Comtrade data, and the Ministry of Economy*

The share of exports in GDP, respectively, in the GVA (gross value added) at sectoral level, points to their economic importance, but even more useful analysis products export volumes of economic activity, which reflects the vulnerability of economic sectors for export to Russia. In this case, there are several sectors that are highly susceptible to export to the Russian Federation, as shown in **Figure 15.**

Table 22. ***Economic sectors with the highest specific weight of exports in the value of products, 2013***

Description	The share of local exports in Russia in the cost of production	The share of local exports to Russia in total exports
Automotive Industry and manufacture of other transport equipment	31.4%	38%
Manufacture of machinery and equipment	22.2%	49%
Manufacture of textiles	15.8%	40%
Manufacture of medical, precision and optical instruments, watches and clocks	11.6%	18%
Beverage industry	9.3%	20%
Processing and preserving of fruit and vegetables	9.2%	22%
Production, processing and preserving of meat and meat products	7.1%	71%
Manufacture of fabricated metal products, except machinery and equipment	6.8%	43%
Agriculture, hunting and forestry	3.7%	15%

Source: *calculations based on data from UN Comtrade and National Bureau of Statistics (NBS) - Moldova*

While in most economic sectors, the exports to the Russian Federation represent less than 50%, due to its high share in the volume of production of the relevant sectors, these sectors have become quite vulnerable.

Moreover, in the framework of the sectors themselves, there are companies who export more diversified as well as enterprises focusing their exports on a single market, the one of the Russian Federation.

Based on this criterion, the most vulnerable industry is that of processing and preservation of meat and meat products. Its exports are focused primarily on Russia, and the consequences of this dependence in the Republic of Moldova has already experienced after the embargo on Moldovan meat products, which were introduced in October, 2014.

It should be noted that the exports of the agricultural sector in Russia account for only 3.7% of Moldova's agricultural output. However, exposure of the sector follows, including the high number of labor force, which is vulnerable to any shocks.

Along with this, it is necessary to pay attention to indirect exposure as a result of the export of food and beverage industry. If we apply the share of exports to Russia in the total production of the sectors of the economy and to employment levels in the sector, we can identify sectors that are most heavily exposed to in terms of the labor market. In this case, the most vulnerable are the agricultural sector and the beverage industry, i.e. those sectors for which there are most restrictions on exports (Figure 31).

Table 23. ***The number of the employed population, which is subject to export sales in Russia, by sector, 2013***

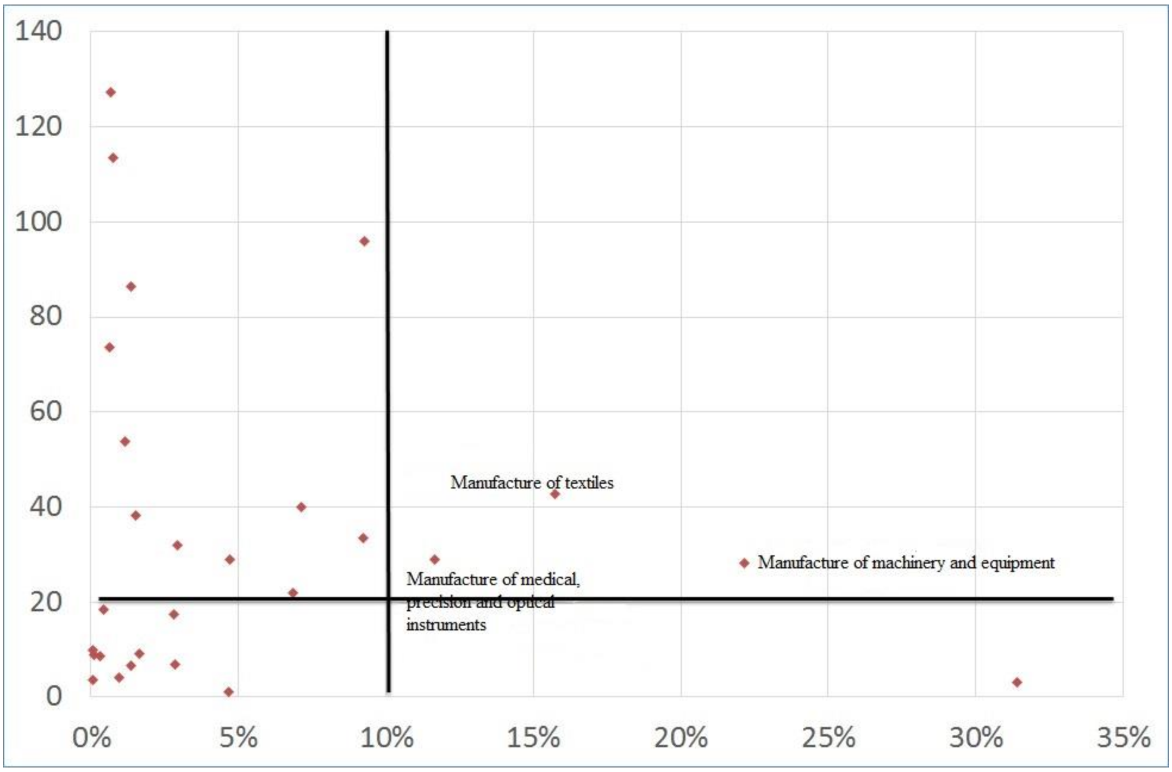
Description	Affected employed population
Agriculture, hunting and forestry	12555
Beverage industry	1046
Manufacture of textiles	573
Processing and preserving of fruit and vegetables	463
Manufacture of fabricated metal products, except machinery and equipment	410
Manufacture of machinery and equipment	359
Manufacture of medical, precision and optical instruments, watches and clocks	293
Production, processing and preserving of meat and meat products	292
Furniture and other industrial activities	222
manufacture of prepared animal feeds and other food products	130
manufacture of wearing apparel; dressing and dyeing of fur	121
Coking coal, oil refining and chemical industry	116

Source: Statistics, National Bureau of. n.d. “National Bureau of Statistics.” Statistica.gov.md. https://statistica.gov.md/index.php?l=en.

Moreover, despite a higher share in the cost of production, exports in some sectors are not yet able to exert a strong influence on the economy due to the low specific weight of the relevant sectors in the GDP.

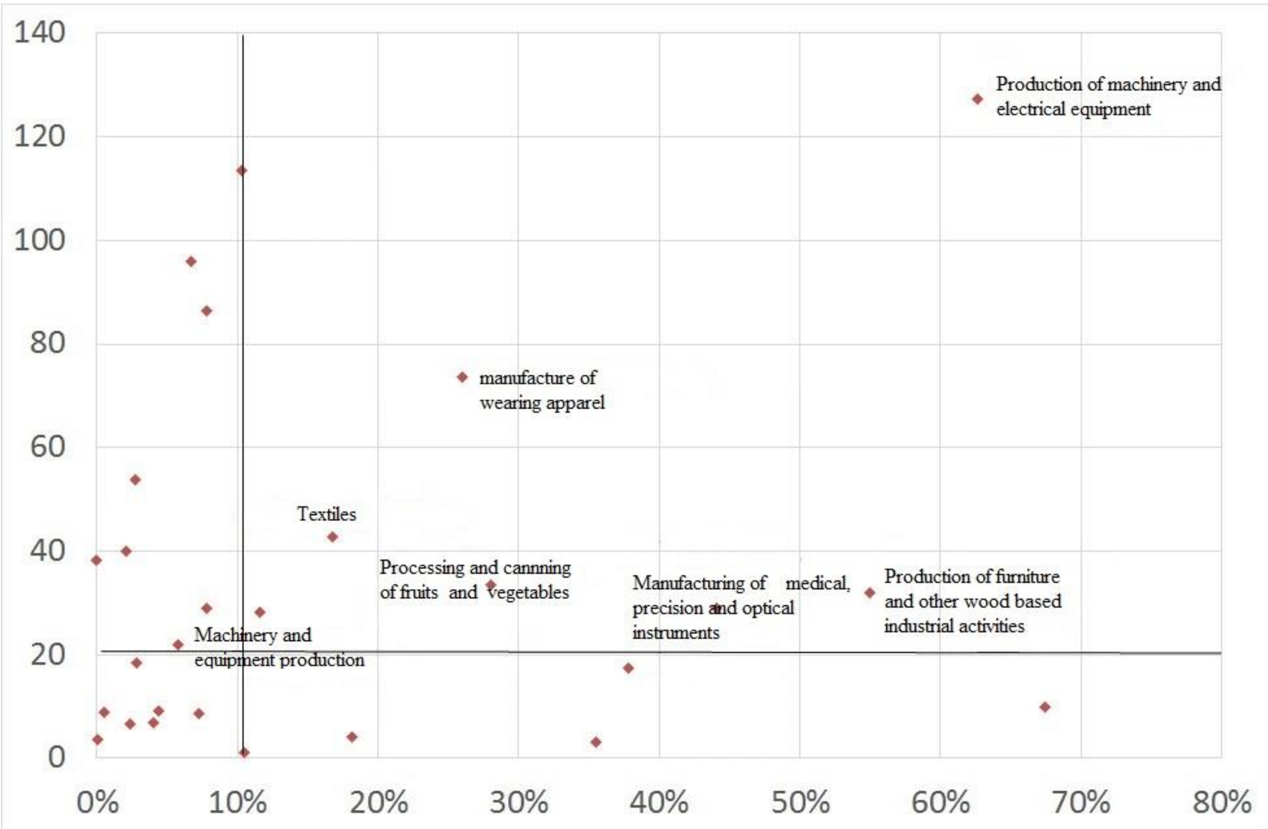
Thus, there are many sectors that are highly susceptible to export to Russia, but they also have a significant share in GDP (as in GVA), namely "Manufacture of medical, precision and optical instruments ',' manufacture of textiles 'and' manufacture of machinery and equipment.

Figure 15. *The share of local exports in the Russian Federation in the cost of production (% horizontal axis) vs. GVA (million USD, the vertical axis), 2013*



At the same time, local exports to the EU in many economic sectors have a much greater impact on the Moldovan economy.

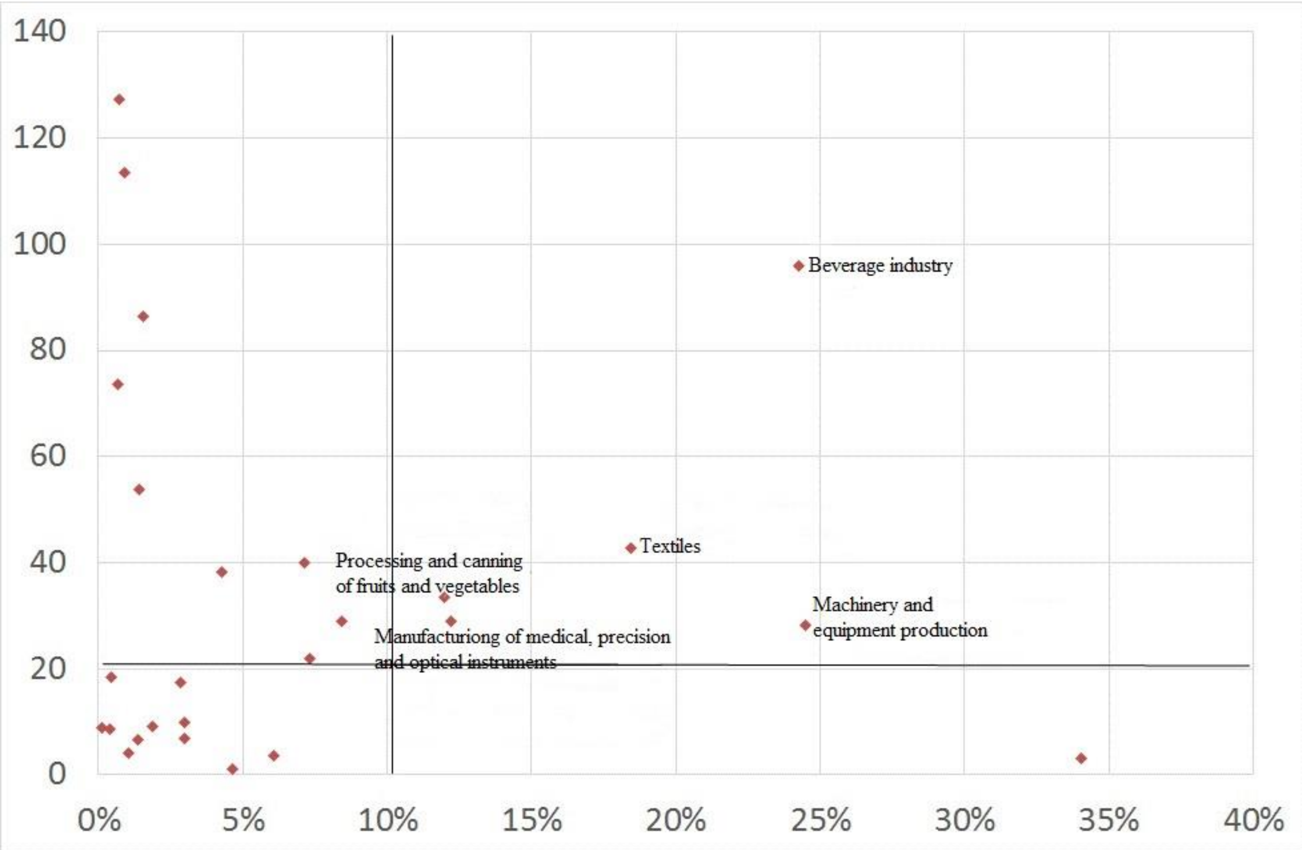
Figure 16. *Figure 16. The share of domestic exports to the EU in the value of production (% horizontal axis) vs. GVA (million USD, the vertical axis)*



Source: *author's representation based on UN Comtrade data, and the Ministry of Economy of Republic of Moldova*

Undoubtedly, the EU market is much larger, there are 27 partner countries for export and naturally, it should have a stronger impact on the Moldovan economy. There is a certain leading position of exports to the EU in comparison with the export sales to the Customs Union, and Russia

Figure 17. The share of exports of local in the value of production (% horizontal axis) vs. GVA (million USD, the vertical axis)

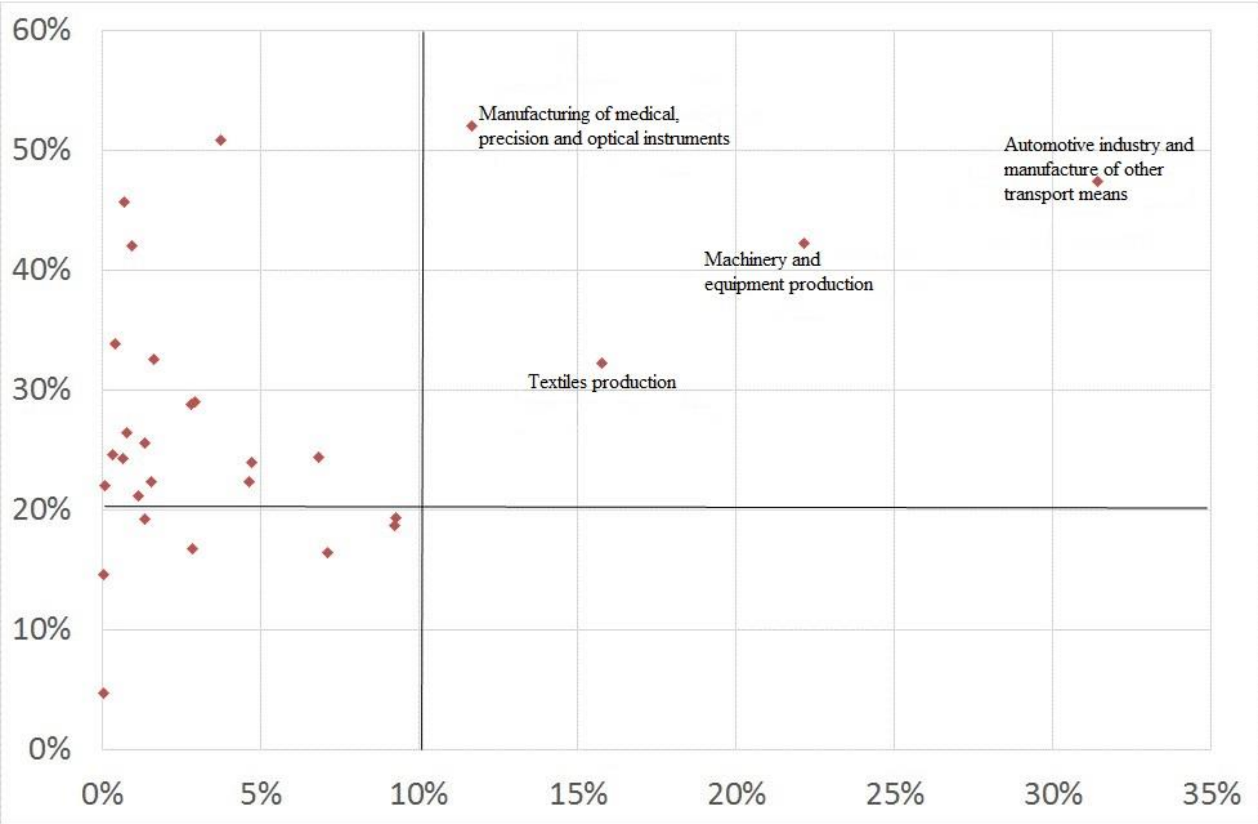


Source: *based on UN Comtrade data, and the Ministry of Economy of Moldova*

But even some of the economic sectors with more limited GVA and a lower impact on the GDP may be more productive, though they are still developing and therefore need to be encouraged and supported.

Thus, the study of exposure of sectors exporting to Russia depending on the sector performance, which is assessed as a percentage of GVA weight in products, allows the selection of only four sectors with high productivity and high supplies in Russia, "the production of medical, precision and optical instruments" "textiles", "machinery and equipment" and "five automotive industry manufacture of other transport equipment **.**

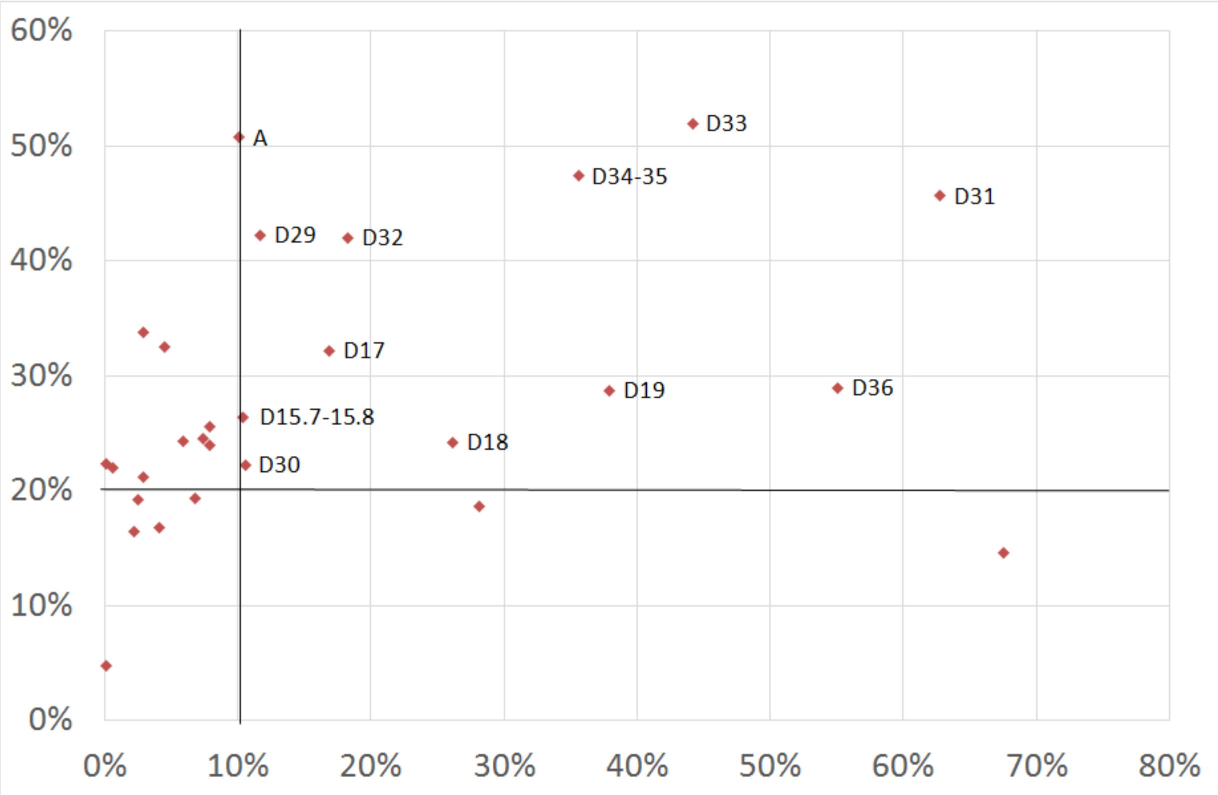
Figure 18. ***The share of local exports to Russia in the value of production (% horizontal axis) vs. GVA share weight in the value of production (%, vertical axis)***



Source*: based on UN Comtrade data, and the Ministry of Economy of Moldova*

And in this case, the situation is much more favorable for exports to the E.U. as it is built up on a significant supply of a variety of economic sectors with higher productivity.

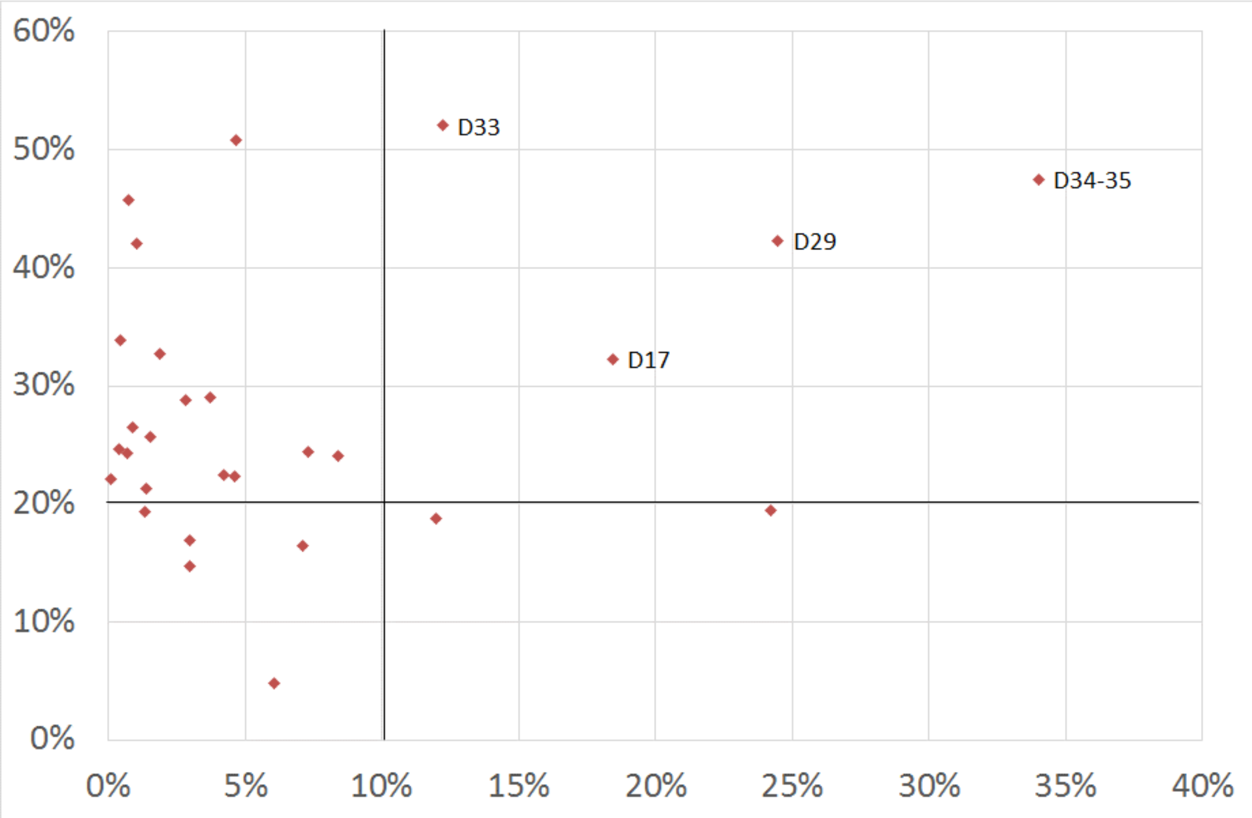
Figure 19. *The share of domestic exports to the EU in the value of production (% horizontal axis) vs. GVA share weight in the value of production (%, vertical on the camping)*



Note: A - Agriculture, hunting and forestry; D15.7-15.8 - Manufacture of prepared animal feeds and other food products; D17 - Manufacture of textiles; D18 - Manufacture of wearing apparel; dressing and dyeing of fur; D19 - production of leather, leather products and footwear; D29 - manufacture of machinery and equipment; D30 - Manufacture of office machinery and computers; D31 - Manufacture of electrical machinery and equipment; D32 - Manufacture of machinery and equipment for radio, television and communication; D33 - Manufacture of medical, precision and optical instruments, watches and clocks; D34-35 - automotive industry and the manufacture of other transport equipment; D36 - Manufacture of furniture and other industrial production.

Source: *based on data from UN Comtrade and NBS, https://statistica.gov.md/index.php?l=en*

Figure 20. ***The share of local exports in the value of production (%horizontal axis) vs. share weight in the value of production (%, vertical axis)***



Note: D17 - Manufacture of textiles, D29 - Manufacture of machinery and equipment, D33 - Manufacture of medical, precision and optical instruments, watches and measuring instruments, D34-35 - Automotive Industry and manufacture of other transport equipment.

Source: *based on data from UN Comtrade and NBS https://statistica.gov.md/index.php?l=en*

Despite the fact that the Russian Federation is an important partner for Moldovan exports, Moldova is a minor partner for its imports. Thus, a total of only 0.1% of the Russian imports heads to Moldova. These figures are estimative, based on information made public by the Russian Federation and, therefore, include the imports of Transnistria as well.

If at first glance there are many types of products for which Moldova is for Russia an important partner in terms of imports - however, a deeper analysis shows that many of the goods concerned are re-exports or come from the Transnistrian region, judging by the discrepancies between the data promulgated by the Russian Federation and the Republic of Moldova **(Table 24).**

Table 24. ***The share of Moldovan imports in the total imports of the Russian Federation,%, 2013***

Description	The share of Moldovan imports in the total imports of Russian *	The share of local Moldovan exports in the total imports of Russian **
Wood cooperage; chopped logs; piles, pickets and stakes of wood, pointed, but along the uncut; wooden sticks, roughly trimmed but not turned, isogene mentioned or otherwise worked, suitable for the manufacture of walking sticks, umbrellas, tool handles or the like; wood chips and similar	91.9%	91.6%
Copper foil of a thickness (excluding any backing) not exceeding 0.15 mm	28.6%	0.0%
Woven carpets and other textile floor coverings	23.0%	22.6%
Cotton fabrics, containing 85 wt.% Or more of cotton, weighing not more than 200 g /m2	21.2%	0.0%
Bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel	9.2%	0.0%
Gypsum; anhydrite; gypsum binders, whether or not colored, with or without small quantities of accelerators or retarders	7.1%	7.2%
Apples, pears and quinces, fresh	5.9%	3.6%
Decorative articles	4.5%	0.0%
Meat of sheep or goats, fresh, chilled or frozen	4.1%	0.0%
Dried fruits, mixtures of nuts or dried fruits	4.1%	2.0%
Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	4.1%	1.4%
Wine of fresh grapes and grape must	3.0%	2.8%
Spirits, liqueurs and other spirituous beverages	0.8%	0.7%

Note: * Data on imports from the Republic of Moldova and released by the Russian Federation ** According to local export ie the Russian Federation, released by the Republic of Moldova.

Source: *based on data from UN Comtrade*

The last two products, "natural wines and grape must" and "spirits, liqueurs and other spirituous beverages" were included in the table, although they do not have a significant share in the total imports of Russia.

However, the situation is reflected in the table referring to 2013, when the embargo on Moldovan wines in Russia was introduced. In previous years, their share in total imports of wine, carried out by Russia above, this figure confirms the competitiveness of Moldovan wines to the Russian market.

Numerous restrictions on imports, which were introduced during the last decade, have imprinted their importance on the Russian market falling to the exporters shifting to other markets, and as a result of reduced production in some sector enterprises or even bankruptcy for most uncompetitive companies. It can be assumed that the increased potential in the Russian market and those different products, which over the last decade witnessed a steady growth. Although most of them do not represent a significant import to the Russian Federation, they nevertheless are important for Moldova's exports.

Table 25. ***Local Moldovan exports to the Russian Federation, between 2004 -2013***

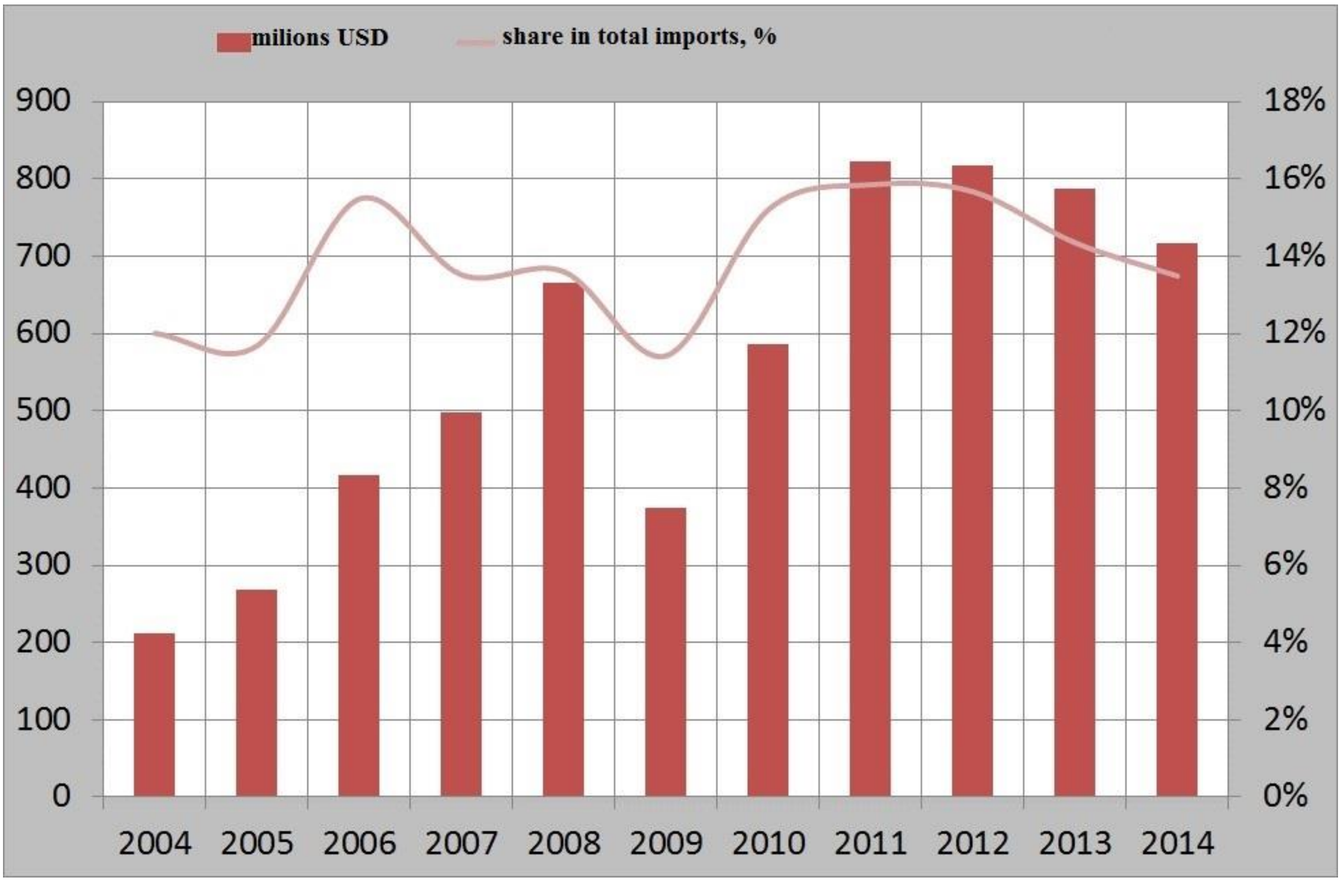
Description	The share of local exports to Russia in total domestic exports	
	2013	2014
Apples, pears and quinces, fresh	18.4%	4.0%
Meat of sheep or goats, fresh, chilled or frozen	5.1%	2.7%
Grapes, fresh or dried	3.8%	6.4%
Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	3.6%	1.0%
Corks, caps and lids (including crown cork, screw caps and plugs with a device for casting), bung covers for bottles, corks threaded and membrane tubes, sealing and other packing accessories, of base metal	1.3%	1.4%
Sunflower seeds, whether or not broken	1.2%	1.3%
Medicines consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in the form of dosage forms (including drugs in the form of transdermal systems) or in forms or packings for retailing	1.2%	1.2%
Brushes, brooms, brushes (including brushes constituting parts machines, appliances or vehicles), brush hand-operated mechanical without engines for floor cleaning, mops and feather dusters dusters; units and tufts prepared for broom or brush products; paint pads and rollers to paint; rubber mop	0.7%	0.6%
Other footwear with outer soles and uppers of rubber or plastics	0.5%	0.7%
Chocolate and other food products containing cocoa	0.5%	0.3%
Turbojets, turbopropellers and other gas turbines	0.4%	0.6%

Note: Only local exports of 1 million USD or more in 2013 were included in the table
Source: *based on UN Comtrade data, and the Ministry of Economy*

Thus, we can conclude that these products are competitive and that Moldova would have potential for their exports to the Russian market. Again, it is important to remember that the exports of some goods are subject to sanctions against Moldova.

At the same time the Russian Federation is an important partner in imports for the Republic of Moldova. In fact, it has been the main partner until 2013 and from 2014, than the position came to Romania. So, in 2014, imports from the Russian Federation had a composition of 13.5% in total imports of the Republic of Moldova **(Figure 22).**

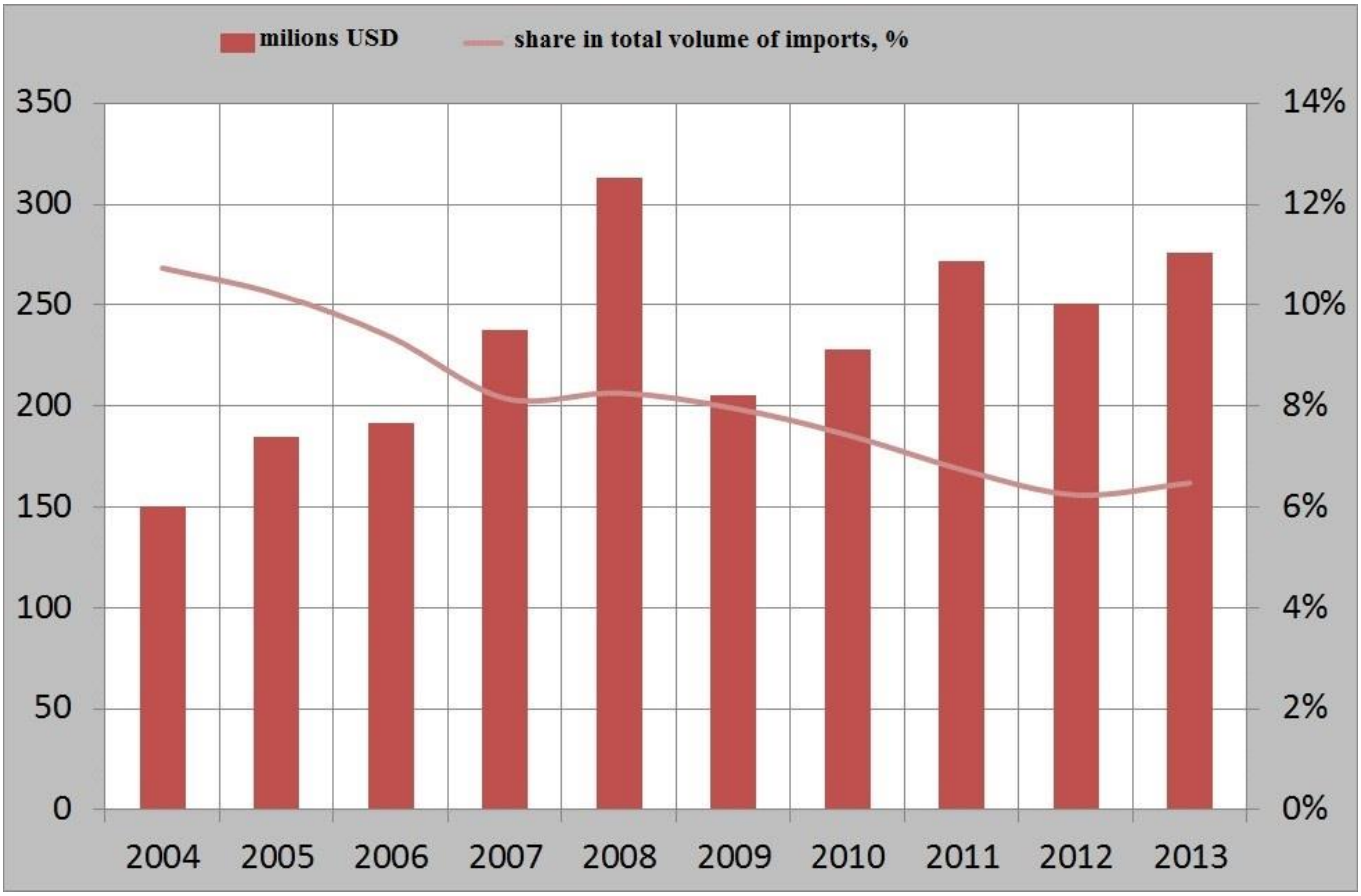
Figure 21. ***Imports from the Russian Federation (million USD, the main axis) and its share in the total imports (%, minor axis), 2004-2014***



Source: *based on data from UN Comtrade, and NBS Moldova https://statistica.gov.md/index.php?l=en*

However, the high share of imports from the Russian Federation is due to, above all, a high dependence on Russian gas. So, in 2013, 65% of imports from the Russian Federation accounted for the import of "mineral fuels, mineral oils (crude oil) and their distillation products; bituminous substances; mineral waxes.” At the same time, 41% imports of this category come from the Russian Federation. Their share in the total volume of imports from Russia in recent years has doubled, though not only because of the increase of the physical quantity of imported gas and the increase of Russian natural gas prices. If we exclude this class of share of imports from Russia, it is reduced to 6.5% of total imports **(Figure 21).** At the same time, Moldova's energy dependence from Russia – a well-known problem but the purpose of this study is not an analysis of this aspect, which would require a more comprehensive approach.

Figure 22. ***Imports from the Russian Federation, with the exception of group 27 of the (million USD, the main axis) and its share in the total volume of imports without the 27** (%, minor axis), 2004-2014axis), 2004-2014***



**Note: A group of 27 of the Commodity Nomenclature - Fuels of the mineral origin, mineral oils (petroleums) and the products of their distillation; bituminous substances; mineral waxes.
Source: *UN Comtrade*

Table 26. ***The most important imports from the Russian Federation, 2013***

Description	The share in the total volume of imports from Russia	The share in the volume of imports of the relevant group
Mineral oil, mineral oil (petroleum) and distillation products thereof; bituminous substances; mineral waxes	65.0%	41.5%
Fertilizers	4.4%	65.4%
Miscellaneous food products	2.6%	28.6%
Nuclear reactors, boilers, machinery and mechanical appliances; parts	2.0%	3.9%
Paper and paperboard; articles of paper pulp, paper or paperboard	1.7%	12.4%

electrical machinery and equipment and parts thereof; recording and sound reproducing apparatus, apparatus for recording and playback televizionnog of picture and sound, their parts and accessories	1.7%	3.0%
Rubber and articles made of ruber	1.4%	13.6%
Pharmaceutical products	1.2%	3.8%
Plastics and articles made of plastic	1.2%	3.9%
Articles of stone, plaster, cement, asbestos, mica or similar materials	1.2%	19.2%
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	1.0%	9.7%
Articles of apparel and clothing accessories, knitted or crocheted	1.0%	13.0%

Source: *UN Comtrade data*

Other major categories of imports from the Russian Federation are presented in **Table 26.** but in their case, as they are related to import partner diversification, it is not as important a factor - plays a more decisive role rather the price of imports. However, on a number of items you can expect some changes in the share of Russian imports after the entry into force of the DCFTA with The European Union and reduction / or gradual abolition of import duties.

Although trade in services cost less when compared with trade in goods, it is an important part of the trade relations between Moldova and Russia. Thus, the export of services is at 22% of total exports of goods and services in the Russian Federation, and imports of services - 26.2% from the total imports from the Russian Federation. In the case of trade in services, the Russian Federation is an even more important partner for Moldova than in the case of trade in goods (if not taking re-exports into account). Thus, 14% of total exports and 22.2% of total imports of services fall on Russia. At the same time, and on the trade balance of trade in services Moldova and Russia is negative - in recent years, imports prevail over exports **(Figure 24)**

The structure of export of services is presented in **Table 27.** The most important are the transport services constituting 72.4% in total exports of services, which account for 28.2% in the share of pipeline transport. A more difficult economic situation in Russia in 2014 has affected the volume of exports of services in this direction. Thus, the volume of services exports to the Russian Federation decreased by 29.3% when compared to the previous year - the decline observed in most types of exported services. Growth was observed only for the export of IT-services. At the same time, their share in the volume of exports to Russia is relatively low when compared to the higher proportion

of total exports of goods and services of the Republic of Moldova (2.1% - a very high proportion compared to other countries in the region).

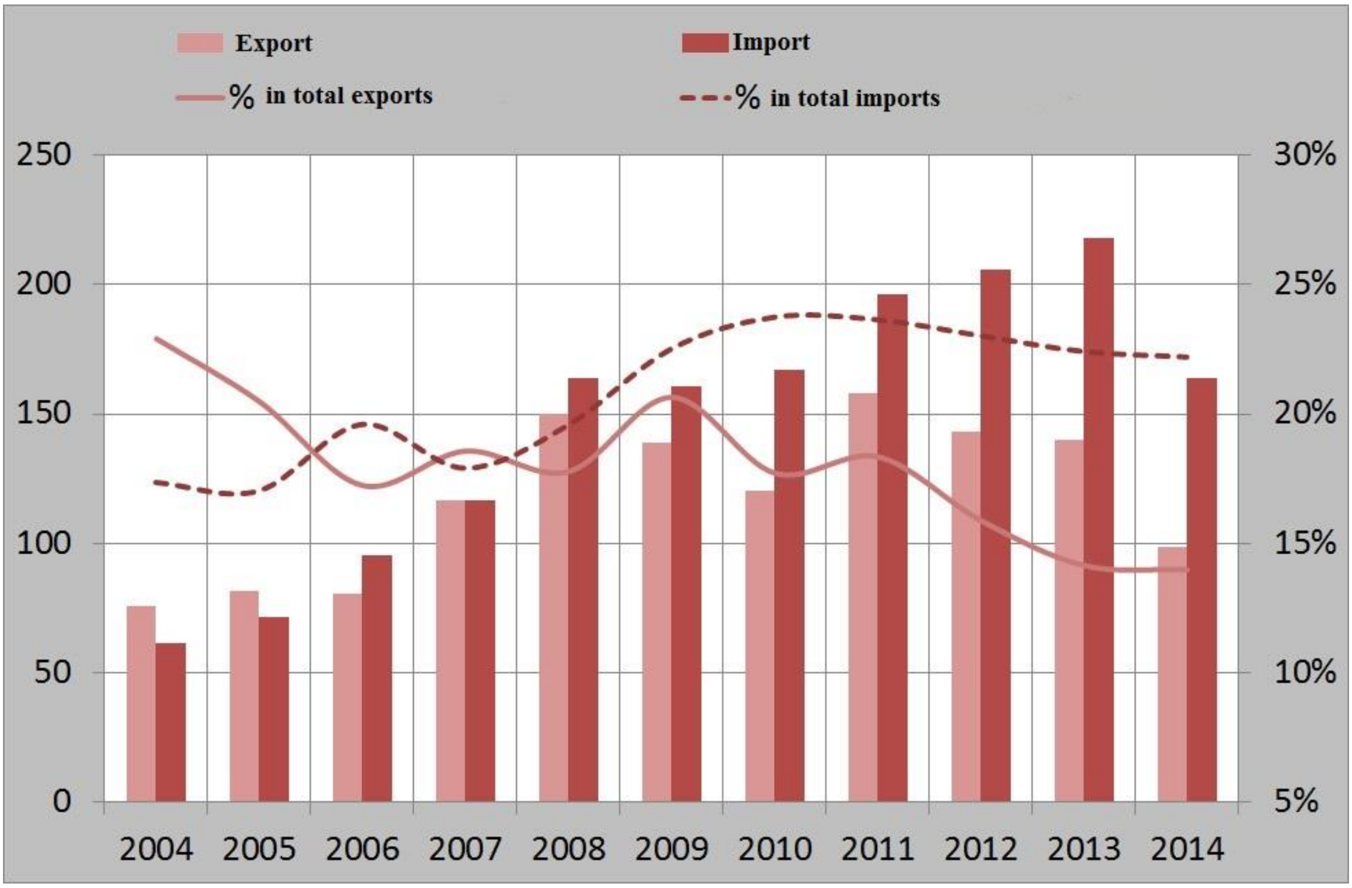


Figure 23. ***Trade in services: The volume of exports and imports from the Russian Federation (USD million, the main axis) and its share in total all export / import services (%, secondary axis)***

Table 27. ***Trade in Services***

Service categories	The share of exports to the Russian Federation,%	The share in total exports,%
Transport	72.4%	25.7%
Communication services	9.0%	8.9%
Business services	5.7%	8.1%
Tourism	4.5%	2.7%
Government services, not included in other groups	3.3%	2.7%

Payment of autorities and fees for of the licenses	1.6%	29.6%
Computer and information services	1.6%	3.1%
Financial services	1.1.%	26.9%

Source:*UN Comtrade data.*

In regards to the import of services from the Russian Federation, they are almost entirely represented by imports of services related to travel (48.3%), and services for the transportation (42%, including 36.2% - pipelines).

In the case of Republic of Moldova we can see the shift in economic politics, from a country that was a significant partner of the Russian Federation but not traditionally tied with it, to a west and EU oriented economy. A major role in this aspects played Romania, which is traditionally a partner in every aspect of the economic life of Republic of Moldova. This aspect reflected in the GDP – in 2014 Republic of Moldova had 9.15 Bilion USD and in 2019 it grew to 11.97 Bilion USD. Although the rise is significant, the structure of commerce changed, and for now we don't have enough data to asses din situation. We choosed 2014 as a benchmark year for the Moldavian economy in relation with Russian Federation.

4.1.2. Evolution of the Moldovan economy after 2014 and the present state

A comprehensive association agreement was signed with the EU in 2014, and the (Deep and Comprehensive Free Trade Area (DCFTA) has been implemented since July 2016, which in principle also applies to the area of Transnistria (see above).

Since 2014, Moldovan citizens have also been exempt from visas in the Schengen area of the EU. Despite this progress, full accession of the Republic of Moldova to the EU is not on the agenda. The new gas pipeline between Romania (Iasi) and the Republic of Moldova (via the border town Ungheni to Chisinau) has been completed, but is not yet operational at the time of this report. The aim of this project is to reduce the previous complete dependence on natural gas supplies from Russia.

Moldovan labor force mainly work in the construction industry in Russia, and many returned to the Republic of Moldova due to the sharp drop in the ruble. The influx of young Moldovans to the EU continues. This is also accelerated by the rapid award of Romanian citizenship for Moldavians with Romanian roots.

Romania has so far issued more than 400,000 Romanian passports to Moldovan citizens, so these Moldovan persons no longer appear in the official statistics.

The Republic of Moldova is a priority country for European Union and cooperation with Eastern Europe. This shift took place after the 2014 events in the Crimeea, a east – west glide took place and we will see the outcome of this in the following lines of this study.

The Republic of Moldova has also benefited in recent years from regular support from international organizations such as the International Monetary Fund (IMF) and the World Bank.

The IMF approved an emergency loan of USD 235 million in April 2020 to support the balance of payments, which suffered heavily due to increased spending in the wake of the Covid pandemic.
The World Bank is currently supporting 17 projects in various sectors in the Republic of Moldova with a value of around USD 607 million.

Due to the recovery of the Moldovan banking sector, the consolidation of economic principles and high domestic demand, solid growth rates of 4.3% in 2018 and 3.7% in 2019 were achieved. However, the trend was already down in the 2nd half of 2019: after a good first half of 2019 with + 5.2%, growth in the second half of the year, fell significantly at + 2.2% out, especially in the 4th quarter of 2019 where only a "black zero" was achieved.

The Covid-19 pandemic in the Republic of Moldova in 2020 not only led to high contagion rates, but also to significant economic losses. After a slight increase of 0.9% in Q1, there was a drop of - 14.0% in Q2. The second half of the year went a little better, with -9.7% in Q3 or -3.3% in Q4, which ultimately resulted in a year-round minus of 7.0%. This development was primarily due to the decline in agricultural production by - 26.4% due to a drought, trade by - 9.6% and industry by - 4.3%. Despite the pandemic, the construction industry grew with + 3.7% and financial and insurance services with + 5.7%. Forecasts by private analysts for the full year 2021 are currently assuming a relatively moderate recovery of around 4%, so that the economic dip that occurred in 2020 can only be compensated for in 2022.

A sustained improvement in economic strength - also in the production sector - is, however, dependent on a successful process of rapprochement with the EU while at the same time easing political tension with Russia. The necessary political consensus is currently not in place. Moldovan foreign trade is characterized by a high overhang in imports, which in recent years have been about twice as high as exports, on average. The Republic of Moldova primarily purchases fuels, machines, production equipment, technical devices and high-quality consumer goods from abroad.

The exports consist mainly of agricultural products (grain, fruits, nuts, etc.) and food, as well as generally less processed goods such as textiles, shoes and others. When it comes to exports of technical goods, such as B. electrical devices, parts for the automotive industry and the like, it is usually a matter of the production of branches of foreign companies that deliver the required raw materials from abroad.

Exports grew strongly up to 2019, in 2017 by 18.6%, in 2018 by a further 11.6%, while in 2019 growth of + 2.7% to USD 2.78 billion was clear slowed down. In 2020, however, exports fell by - 10.6% to USD 2.49 billion. B. - 47.3% for grain. But processed products also felt the fall in demand, such as electrical machines and apparatus with - 16.9%[125].

The development of imports was similar, albeit on a higher basis. Increases up to 2019 were followed by a significant decrease in 2020: 2017 growth of 20.3%, 2018 of 19.2%, 2019 of 1.4%, followed by a decrease of - 7.3% to USD 5.42 Billion in 2020.

[125] "Statistics of the Moldovan Republic," Statistica.md, 2021, https://statbank.statistica.md/pxweb/pxweb/ro/40%20Statistica%20economica/?rxid=b2ff27d7-0b96-43c9-934b-42e1a2a9a774.

The trade deficit of 2.93 billion USD was thus similar to that of previous years. The reduction in the trade deficit, which the government is fundamentally aiming for, will therefore not be so easy to achieve in the short term without drastic measures.

The most important export trading partners on an annual basis (2020) are Romania (28.4%), Germany (9.1%), Russia (8.7%), Italy (8.6%) and Turkey (6.9%), Poland (4.4%) and the Czech Republic (3.2%). In 2020, 66.7% of exports went to the EU (27) (2019: 64.1%)[126].

The most important import partners in 2020 are China (11.9%), Romania (11.7%), Russia (11.1%), Ukraine (9.7%), Germany (8.4%) and Turkey (7.2%) and Italy (6.4%). The EU had a share of 45.6% of imports (2019: 48.5%), the CIS countries 24.3%. The EU is thus by far the most important trading partner of the Republic of Moldova[127].

Due to its geographical location, the Republic of Moldova has a special position in east-west trade. It currently has generally duty-free delivery options to the CIS countries and the EU, with which a comprehensive free trade agreement (DCFTA - Deep and Comprehensive Free Trade Agreement) was agreed in June 2014.

Since June 2014, as a result of the signing of the agreement with the EU, Russia has again imposed import restrictions for Moldovan fruit, but these have been gradually relaxed in recent years.

The inflation rate in recent years has always been subject to strong fluctuations: 13.6% in 2015, 2.4% for 2016, 7.3% for 2017, 0.9% in 2018, and by 2019 back to 7.5 % increase. These high differences from one year to the next can be explained on the one hand by the relatively high share of household income for food compared to the industrialized countries, on the other hand by the fact that a high proportion of unprocessed food is still consumed. The not unusual high fluctuations in agricultural and food production therefore have a strong impact on the overall index.

This was also evident in the pandemic year 2020: the general inflation fell significantly due to the negative economic development and came to 0.4% at the end of December 2020, well below the range of 3.5% to max 6.5%. The price drivers were once again food with + 1.67%, while prices for other goods fell by - 0.5% and services by - 0.3%.

In addition to the development of the exchange rate, particularly in relation to the euro, other factors are also strong government influence, at energy or drug prices, or in the case of the reduction in income tax from 18% to 12% in 2018[128].

Together with Ukraine, the Republic of Moldova, despite efforts in recent years, brings up the rear in terms of labor income in Europe. The statutory monthly minimum wage has been MDL 2,935 or around EUR 140 since January 2021.

Despite the numerous problems, the actual average income of the working population recorded significant increases: After + 12.1% in 2019 to MDL 7,813 or EUR 397, according to the national statistics institute, it did not occur until the second half of the year. to an increase of a further 13.4% to MDL 8,860, around EUR 422 (as of January 2021).

In view of the income situation described above, remittances from Moldovans living and working abroad sent to their families make an important and, in many cases, decisive contribution to household income. There has been massive emigration since the 1990s. It is estimated that

[126] ibid
[127] ibid
[128] ibid

around 1 million Moldovans work abroad, mainly in Russia (63%), Italy (15%), Turkey and Israel, over 400,000 of them already with Romanian passports.

In 2019, according to World Bank data, US $ 1.91 billion of foreign made money were transferred to relatives in their home country, or 16.0% of GDP. For comparison: In 2006 this figure was USD 1.18 billion or 34.5% of GDP at the time. They peaked at $ 2.19 billion in 2013, which is 23.1% of GDP. According to data from the Moldovan National Bank, the transfer payments recorded by the banking sector alone reached a value of USD 1.49 billion in 2020, which is an increase of 21.6% compared to 2019[129].

The Republic of Moldova is characterized by a high proportion of the shadow economy, which, depending on estimates, is likely to account for between 30% and 40% of GDP. This has been confirmed - at least in the recent past - by official employment figures from the national statistical institute: According to this, almost 40% of all employees worked in the “informal” sector in 2018. Due to a new calculation scheme from 2019, in which the almost 200,000 people who work in subsistence farming for their own needs were no longer taken into account, this proportion is now officially 23.1%.

Due to the structurally high balance of trade deficit, the Republic of Moldova has a chronically negative balance of payments, despite a positive balance of services, high transfer payments from Moldovans living abroad and international support.

In 2018, however, the current account deficit rose to a new level, namely from USD 562 million or - 5.8% of GDP in 2017 to USD 1.19 billion or - 10.5% in 2018. In 2019, a slight decrease to USD 1.12 billion or -9.7% of GDP was achieved. Mainly due to the sharp drop in imports, the deficit fell to USD 869 million in 2020, or 7.3% of GDP[130].

In 2018 the government reached a budget deficit of 0.8% of GDP, after it was 0.6% in 2017. As a consequence of the election year 2019 with the aforementioned tax breaks on the one hand and an increase in social spending and wages on the other, the deficit worsened to 1.4% of GDP in 2019.

The budget deficit in 2020 came to around 5.5% due to the sharp rise in spending in the wake of the Covid-19 crisis and a simultaneous decline in the economy. Due to higher income than expected, this result is significantly better than the original forecast, which still showed values of up to almost 9%.

Thanks to a high level of savings discipline, the national debt, which was still 33.1% of GDP in 2015, has fallen in recent years and reached a value of 28.3% of GDP at the end of 2019. In 2020, public debt rose to a rate of 34.5% due to the sharply increased need for financing and economic output falling at the same time[131].

With this still relatively low rate, the Republic of Moldova is at first glance very good compared to many industrialized nations, but the interest rates are due to the poor creditworthiness (e.g. in category 7 of 7 according to the OEK coverage guideline) far above their level: currently an average of 6.5% Interest on long-term debt.

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[130] ibid
[131] ibid

4.2. Ukraine

The global integration processes as dominant factors that presently shape the international economic relations, also affect the formation of trade and economic relations between countries. The nature of this impact primarily depends on when this occurs, on the country involved in the global integration processes, as well as the characteristics of their relationship, historically and in the future. Concerning Ukrainian-Russian economic ties - with reasonable certainty can be argued that the effect of the first factor is low, due to the far-undeserved high level of integration of these countries into the global economy.

Ukraine's land area and population is one of the largest in Europe, its share in world exports quite small, about 0.3%, which primarily means that its impact on global economic processes is virtually null and, secondly, it is not yet sufficiently integrated in the globalized world economy. Russia's export volume is approximately 6 times the volume of exports from Ukraine, as its share in global exports amounts to 1.8%, which is also not enough to truly affect the processes occurring in the global economy. Therefore, it is possible, in my opinion, to believe that Ukraine and Russia do not have enough leverage objectives (factors) on the economic impact on each other. The greatest impact factor for the Ukrainian-Russian economic relations is the high level of economic interdependence between the two countries. The USSR had achieved, in fact, the highest known levels of integration, which was the basis of the so-called single economic complex. On the level of integration achieved, in particular, may indicate the following facts: in the USSR, according to various estimates, only 20- 30% of the products were produced in a closed cycle. The remaining 70-80% were either for parts and semi-finished products assembly which took place at the enterprises from other republics or the production of the final product, which is largely dependent on parts from other Soviet republics and especially from Russia.[132] Approximately the same pattern was observed between the other Soviet republics. Therefore, based on the theory of global integration processes, integration ties that existed within the Soviet Union, were to survive and develop in the macro and micro levels. Today, to varying degrees, both countries are involved in the global integration processes, including those related to regional economic integration, which makes it possible to explore the integration interests of Ukraine and Russia and to assess their impact in terms of economic relations between the countries, relations which affect in direct and indirect ways the geopolitical situations of the region. In the following pages, we will address the economic relations of the two named countries before the Euromaidan and the Association Agreement with the European Union.

[132] D'anieri, Paul J. 1999. *Economic Interdependence in Ukrainian-Russian Relations*. Albany: State University Of New York Press.

Table 28. ***Russian Federation of bilateral trade and economic relations between Ukraine and the Russian Federation***

The share of Ukraine's trade with the Russian Federation in Ukraine total foreign trade (goods and services) in recent years is as follows (in percentages). Indicators of foreign trade in goods and services with Russian Federation for 2003-2015 years in millions of USD:

	Total	Export	Import
2010 2010/2009 %	41565,0 160.7	18578,0 155.3	22987,0 165.4
2011 2011/2010	55523.8 133.5	25444.9 136.9	30078.9 130.8
2012 2012/2011	51402.1 92.6	22997.2 90.4	28404.9 94.4
2013 2013/2012	44960.0 87.4	20489.0 89.1	24470.1 86.1
2014 2014/2013	26872.8 59.8	13320.0 65.0	13552.8 55.4
2015 2015/2014	15990.0 59.5	7846.5 58.9	8144.4 60.0

Source: *Ministry of Foreign Affairs of the Russian Federation*

This table above is a statement of the situation of 2013-2015 of the geo-economic and macroeconomic of the Russian-Ukrainian relations, thus we will analyze in this section the situation before the Economic Crisis of the 2008-2009 and the conflictual situation in Eastern Ukraine. This is important for the study, in order to gain a real perspective about the Russian – Ukrainian relations. Onward, we will make a brief radiography of the economics of the above mentioned countries.

There is a decrease in the share of foreign trade in Ukraine. Thus, from 1998 to 2006, the share of Russia in Ukraine trade turnover decreased by 10.9 %. The share of Russian exports compared to 2005 increased by 0.8 %, while compared to 1998, it decreased by 5.%. Indicators of bilateral trade (goods and services) of Ukraine with the Russian Federation in 1998-2006 are shown in Figure 45 (millions of USD)

Table 29. ***Trade of Ukraine between 1998 and 2006***

	Total	**Export**	**Import**
1998	**12532.2**	**5155.2**	**7477.0**
1998/1997 %	82.9	74.3	90.2
1999	**10406.8**	**4564.7**	**5842.1**
1999/1998 %	83.0	88.5	79.2
2000	**11574.3**	**5564.7**	**6009.6**

2000/1999, %	111.2	121.9	102.9
2001	**11751.2**	**5741.0**	**6010.2**
2001/2000 %	101.5	103.2	100.0
2002	**12069.3**	**5499.4**	**6569.9**
2002/2001 %	102	95.8	109.3
2003	**15441.2**	**6505.2**	**8936.0**
2003/2002 %	127.9	118.3	136.0
2004	**20350.0**	**8197.9**	**12152.1**
2004/2003 %	131.8	126.0	136.0
2005	**23350.5**	**10070.3**	**13280.2**
2005/204 %	114.7	122.8	109.3
2006	**26171.5**	**11787.7**	**14383.8**
2006/2005	112.1	117.1	108.4

Source: *Ministry of Foreign Affairs of the Russian Federation:https://www.mid.ru/en/themes//asset_publisher/p12AYJypFaxg/content/id/706117*

Accordingly, it can be argued that the structure of Ukraine's exports to Russia and the structure of Ukrainian imports from Russia observed a certain stability. Ukraine traditionally exports to the Russian market of food products, chemicals and metallurgy, and also engineering. In turn, Ukraine will import energy from Russia, whose share in total Russian exports to Ukraine is over 50% machinery and chemical industries. Analyzing the structure of Ukrainian exports to the Russian market must also be noticed as being better diversified than the structure of export of Russia to Ukraine. The structure of Russian exports to Ukraine is dominated by energy. It should also be mentioned that the relatively high share of services in the structure of Ukrainian exports to Russia, which to some extent can be seen as a positive thing. However, in recent years, susceptible to gradual decrease, the global trend is known to have shown a higher growth of international relations in the service sector compared to growth of foreign trade. The relatively high share of services in foreign trade is indirect evidence of a high level of economic development. However, Ukraine's exports to Russia is dominated by transportation services (transportation of Russian oil and gas to European countries), while the whole world share of transport services is in constant downward trend as a result of intensive development of new services - information, banking, financial, travel and more. Also positive is the fact that Ukraine exported to Russia goods with higher price than imports from Russia. We can also note the growth in 2006 compared to 2005’s share of engineering products in total Ukrainian exports to the Russian market.

A) On industrial cooperation

Agreement between the Government of Ukraine and the Russian Federation on industrial cooperation was signed on 24 April 1998 and is implemented through annual intergovernmental protocols of signature lists and their production volumes supplied entities parties within industrial cooperation throughout the year. It should be noted that the share of supply of products within

industrial cooperation in recent years was insignificant and did not exceed 2.0% of the total turnover of the Russian Federation.[133]

B) Promising areas of cooperation and major joint projects

Cooperation in the field of aircraft and space industry:

- The creation of regional turbojet passenger aircraft An-148;
- Renovation of serial production of modified versions of the Antonov An-124-100M-150, -300 based military transport aircraft An-124 "Ruslan"; - Maintaining cooperative ties with the production of aircraft engines (production of JSC "Motor Sich"). Cooperation in the field of agricultural machinery: - continue cooperation towards joint production of grain and forage harvesters.

Cooperation in the oil sector: - the use of the Odesa - Brody pipeline in reverse mode with maintenance obligations taken by the Russian side on the volume loading pipeline; - Technical re-equipment and reconstruction of refineries in Ukraine to deepen oil processing, increase production of light oil products and improve their quality to European standards.

Cooperation in the gas sector: - implementation of the agreed as part of the investment phase of the International Consortium for Management and development of the gas transportation system of Ukraine project pipeline Bohorodchany - Uzhgorod. Cooperation in the field of railway engineering:

- Continued promotion of Ukrainian freight cars production (JSC "Azovmash" and OJSC "Kryukovsky Car Plant") on the Russian market;
- Cooperation between JSC "Transmashholding" and HC "Luganskteplovoz" in the development and joint production of electric transmission.

B) As for the main negative factors affecting the state of trade and economic cooperation between Ukraine and Russia

a) shift of a significant share of the Russian market towards products of other foreign countries;

b) the restriction of certain sectors of the Russian market (Pipes, metal products, meat products, etc.). Ukrainian exporters are affected by application of Russian party special and antidumping investigation on Ukrainian goods from Ukraine.

a) significant diversification of Ukrainian exports namely towards third countries on the basis reorientation of a large part of the Russian market for the foreign products

b) weak activity of the Ukrainian producers to promote domestic products to Russia market, including joint venture, participation in the Exhibition and fairs.

D) For the priority directions in the field of economic relations between Ukraine and the Russian Federation - the settlement of issues related to the use of

133 According to the State Customs Service of Ukraine, in 2006 the trade turnover products for industrial cooperation in the framework of the intergovernmental agreement is about 210.9 million USD., Which is 65% from the previous year. The decline is due primarily supplies the signing of the annual intergovernmental protocol for 2006 with a significant delay.

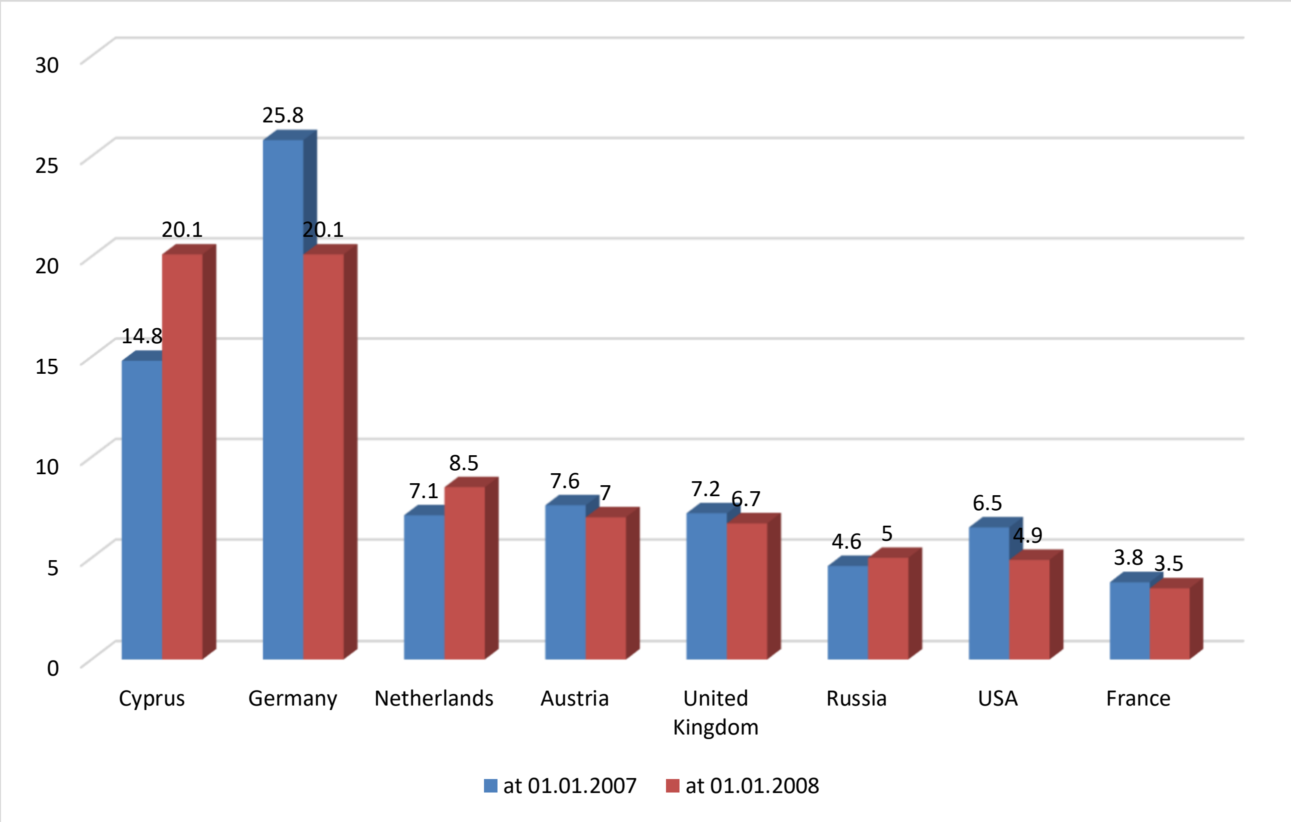
protective measures in accordance with the provisions of the Memorandum between the Government of Ukraine and the Government of the Russian Federation on principles apply special measures in respect of goods originating from the customs territories sides of 04/10/01;

- Address the issue of lifting the ban on Russia's import of meat products of Ukrainian origin;
- Addressing the issue with the Russian side to establish a single Russian railway tariff system for export, import and domestic traffic, regardless of the route of passage;
- Implementation of measures to the program of economic cooperation between Ukraine and the Russian Federation for 1998-2007 and the Programme of Action for interregional and border cooperation with the Russian Federation for 2001-2007 identified by 2010; - Intensification of exhibition and advertising activities in Ukrainian entities, the creation of joint ventures, expanding the network of representative offices of enterprises, deepen research commodity markets, the competitive environment to find new trading partners;
- Investment activity, ensuring the participation of Ukrainian capital, especially in the development of fuel and energy complex of Russia and the Russian capital in agriculture, machine-building, metallurgy, chemical industry of Ukraine

4.2.1. The role of Russian investments in the Ukrainian economy

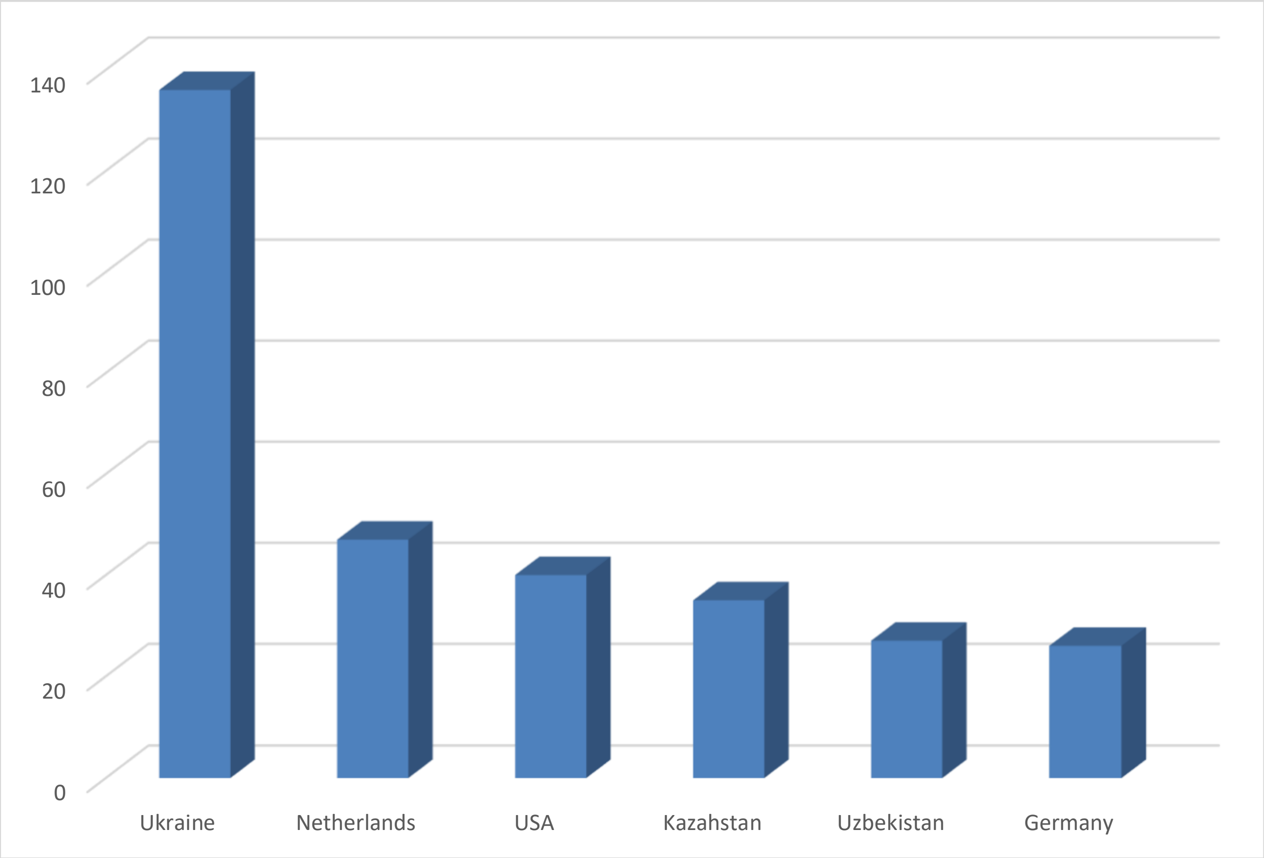
Objectively, Russia is an important strategic partner of Ukraine, primarily because of the economic aspect. Throughout the years of independence, it firmly holds first place among the main foreign economic partners of Ukraine: it accounts for about 40% of the Ukrainian foreign trade. For objective reasons, Ukraine cannot break off relations with Russia, to which it is connected by centuries-old history. Assessing the ability of Ukraine at the expense of its own production to meet their needs in the oil and gas, analysts almost unanimously say that Ukraine is incapable. Experts point out that natural resources make it possible to cover the needs of Ukraine by only 20-30%, while the forecast for all oil and gas consumption will increase. In addition, experts say that there are good prospects for development, of foreign deposits in order to increase the resource base of Ukrainian oil and gas companies. Events in recent years bring a dispute with Russia about the price of gas supplies and have stimulated a search for new supply routes to Europe, bypassing Ukraine. It has the potential to reduce the priority of Ukraine as transit route for Russian oil and gas products. Officially, Russia ranks 6th on placing investments in the Ukrainian economy, but given the fact that Russian investments coming to Ukraine via Cyprus, Liechtenstein, British (British Virgin Islands), experts say that the volume of Russian capital in Ukraine, surpasses the one from the US, several times.

Figure 24. ***The distribution of direct investment in Ukraine by main investor countries (as% of total volume)***



According to experts, in the structure of capital investments from Russia and the United States, Russian investments are more important for the economy of Ukraine. The experts of the analytical magazine "Mergers and Acquisitions" is a monthly rating of M & A activity of the regions and industries in Russia and the CIS and foreign countries, which participated in the market for corporate control representatives of the Russian business. This figure are mentioned below, **(Figure 50)** for the period of January-August 2006. It suggests that Ukraine is one of the most investment-attractive countries to Russia.

Figure 25. ***M & A activity of Russian investors in the country and abroad for the period January-August 2021***



Source: *"Слияния и Поглощения в России / Mergers.ru," mergers.ru, accessed August 17, 2021, http://mergers.ru*.

As stated above, the most attractive for large Russian investment companies is the industry in which they can organize business systems and construct a closed technological scheme. For example - the oil business was started with the supply and processing of oil, fuel sales large wholesale, currently under implementation in the retail fuel through its own network of filling stations (gas stations). Russian had gotten involved in those industries that were the first to rise after the crisis. This is the food industry, construction industry, and fuel and energy complex. In general, the Russian capital plays a significant part in many key sectors of the Ukrainian economy

Consequently, Russia managed to gain control of the important infrastructure and processing industry of Ukraine. Conclusions of the analyses confirm the statistics, presented in **Table 30**. The table shows that factual size of bilateral trade in 2007 reached almost $ 30 billion, direct Russian investments in Ukraine's economy exceeded that amount by more than $ 1.4 billion. In addition, the volume of direct investments in 2007, compared to 2006 increased by $ 460.1 million or 45.9%.

Table 30. ***Direct investments from Russia in Ukraine's economy by economic activity***

	The volume of investments (mln USD)	
	1.1.2007	1.1.2008
Total	1002.1	1462.2
Financial activities	102.6	290.2
Industry	198.8	227.8
including		
Processing	194.3	217.7
Of which		
manufacture of coal, refined petroleum products	103.7	103.7
food processing, beverage and cigarette manufacturing	35.7	41.5
engineering	15.2	23.3
Operations with real estate, renting, engineering and provision of services to entrepreneurs	80.0	137.8
Health care and social assistance	107.6	114.3
Building	39.3	113.7
Trade, repair of motor vehicles, household goods and personal consumption	58.1	106.2
Wholesale trade and intermediary in wholesale trade	51.6	64.7
retail; repair of household goods and personal consumption	2.5	35.8
Transport and communications	74.9	81.2
Activity of hotels and restaurants	36.9	37.4
Agriculture, hunting, forestry	17.7	20.6

According to the Ukrainian State of the analytical center "Institute of Reforms", the Russian companies are one of the three leading players in the investment climate of Ukraine (the other two - western multinational corporations and international investment funds, which carry out large-scale investments in order to gain profit in the longer term).

State Statistics Committee of Ukraine, ranks Russia only 6th place (after Cyprus, the UK, the British Virgin Islands, the Netherlands and Germany) in the list of countries investing in the Ukrainian economy. Thus, Russia is not a leader on the size of investments in Ukraine, although it is prevalent in some industries (oil refining). Because, as mentioned above, a significant part of the Russian capital flows to Ukraine through offshore companies, which account for over a third of all foreign direct investment, it is believed that Russia actually takes place is much higher than the statistics.

The orientation for Russian companies in Ukraine began with the vertical investment. The large Ukrainian financial-industrial privatization process which occurred after the fall of the USSR. This buyers became very active in the area of the business acquired: for example, "LUKOIL" after the acquisition of the Odessa refinery drew attention to the chemical industry, the state has bought a controlling stake in one of the the largest specialized enterprises - "Lukor". Today Russian oil

companies such as TNK-BP, "LUKOIL", "Alliance" and "Tatneft", collectively control more than 90% of the refining and marketing capacities in Ukraine. The rubber market is dominated by Russian-Singapore Company "Amtel", which owns shares Belotserkovsky "Rosava" plant and Chernigov "Khimvolokno". Control of the largest conglomerate of extractor industry in Ukraine, Ingulets Mining and Processing Plant is done by a company named "LUKOIL-Severo-Zapad".

Thus, the oil company "LUKOIL" completed in April 2008 the reconstruction of the Odessa refinery in two and a half years (acquired "LUKOYLOM" in 1999). Ukrainian President Viktor Yushchenko said that this acquisition is an event that has significance not only for the Odessa region, but also for the whole Ukraine. The President noted that the Ukrainian side highly appreciates the activity of the company. The reconstruction of the refinery amounted to about $ 200 million invested. Investments in the modernization of enterprises is estimated at nearly $ 380 million. Nikolayev Alumina Plant, part of the company "Russian Aluminium" belongs to the Russian "SUAL-Holding". SUAL Group is one of the top ten the world's largest aluminum producers. The Group's companies form a complete production cycle from bauxite mining, alumina refining and primary aluminum, fabricated aluminum prior to release and finished products[134]. The conglomerate "Basik the Element" is concentrating its business in six sectors: energy, machinery, resources, financial services, construction and aviation. FPG (Financial and Industrial Group) and "Basic Element" in Ukraine controls the "Kharkov tractor plant", insurance company "Ingosstrakh", "Ingosstrakh Life", "INGO UKRAINA", "INGO UKRAINE – Life", of the shares of "Kremenchug car assembly plant". UC RUSAL in 2007 invested in the modernization and expansion of production NGZ (Nikolaev Alumina Refinery) $ 58 million. Since the arrival of UC RUSAL in 2000 it was invested in the development of the factory about $ 180 million. In the investment obligations, the company is obliged to increase the volume of alumina to 3,6m. tons in the next 10 years.[135] The composition of the NHP (the Nikolaev Alumina Refinery) includes a sea port capacity of 5 million. Tons of cargo a year, thermal power station and the railway terminal with a capacity of over 2 million tons per year. UC RUSAL was established in March 2007 through the merger of RUSAL, "SUAL" and the alumina assets of Swiss trader Glencore.

In December 2007, the Company Evraz Group S.A. («Evraz Group») signed an agreement on the acquisition of a Ukrainian in the Group "Privat" the steel, mining and coke-chemical assets. The main shareholders of the company - Lanebrook Ltd (82,57%, Cyprus), General Refractories Ltd (1,48%), KH Steel (0,93%), the remaining shares are traded on the London Stock Exchange. Beneficiaries (final recipients of profits) are Lanevrook Rossiyskie Grazhdane Alexander Abramov and Alexander Frolov (together 50%) and Millhouse (50%, the company owned by Roman Abramovich). The number of blocks of shares are: 99.25% of shares of JSC Mining and Processing Plant Dry beam, 95.57% stake in Petrovsky Dnepropetrovsk Metallurgical Plant. Evraz buys part in three coke plants: OAO Coke plant Bagleykoks 93.74% of shares of JSC Dneprokoks 98.65% of shares and Dneprodzerzhinsk Coke Plant 93.83% stake (Ukraine). In addition, Russian metallurgists interested in Ukrainian production capacities and raw material base. Examples include the association of metallurgical assets of Rinat Akhmetov and Vadim Novinsky in the "Metinvest" holding company, as well as a possible merger of the Corporation "Industrial Union of Donbass»

[134] 2021. Www.fd.ru. 2021. http://www.fd.ru/archive_art/14563.html.

135 Director Alexander Livshits, noted that Russians like to work in Ukraine under any government.

(IUD) and the Russian "Metallinvest" Alisher Usmanov - one of the largest and fastest growing holdings in Russia, created to implementation extractive industry and large-scale investment projects in heavy industry, mining and mechanical engineering (results of the negotiations should be completed in 2008.). Russian companies, especially those that are associated with the transit and production of oil, actively promoting their investments in European markets.

The ukrainian nuclear fuel market controlled by the Russian company "TVEL" (The Russian producer of nuclear fuel). The annual capacity of the Ukrainian nuclear fuel market in monetary terms is estimated at $ 600 million., and this figure is increasing every year, as the nuclear fuel becomes more expensive.

The Russian company JSC "Severstal-metiz" in February 2007, acquired controlling stake in Ukraine's largest producer of wires "Dneprometiz" (Dnepropetrovsk) in the financial group "TAS". Group of companies "Severstal-metiz" and the group "TAS" Announce Agreement on sale of "Severstal-metiz" 34.6% of shares of JSC "Dneprometiz" belonging "TECO-Dneprometiz" (included in the Group "TAS"). This was reported in the press release "Severstal-metiz". Within 3 years of "Severstal-metiz" suggests to implement a comprehensive investment program in the Ukrainian company.

The Ukrainian market is also entrenched by a few Russian construction companies. The largest of them can be regarded as Mirax Group and the company "Inteko", which it was engaged in the acquisition of Ukrainian enterprises producing construction materials. The company "Bamtonnelstroy" (Russia) has bought 40% of shares from "Kievmetrostroy" company. Chairman of the Board "Kievmetrostroya" V.Petrenko reported that 40% of the shares - about $ 15-20 million According to him, part of the stake "Bamtonnelstroy" are bought from shareholders' Kievmetrostroya "company" Planeta-bud. ". Russian chemical industry is little represented in the Ukrainian market. However, the privatization of Odessa Portside Plant, as well as announced, but postponed after the sale of the group "Privat" "Dniproazot 'increased interest in Russian organizations in Ukraine. Several of them expressed their intention to participate in a competition for the purchase of the above assets. Horizontal investments from Russia mainly directed to the food industry and the sphere of services of Ukraine (trade, finance, transport, tourism, telecommunications, IT-sector and t. n.). As a rule, large Russian business ready to invest in companies with the untwisted brands, acquired established companies. For example, "Wimm-Bill-Dann" has acquired controlling stakes in three well-known Ukrainian dairies - Kiev Gormolokozavoda, Kharkov Dairy and Burynskogo factory milk powder (according to some estimates, Russian businesses control about a third of the market of dairy products in Ukraine), and OJSC "Mobile TeleSystems "acquired controlling stakes in the largest Ukrainian mobile operator - the company UMC (transaction amount $ 371 million).

A significant share of Russian capital is also implied in the retail trade. On the Ukrainian market for a long time there were such major Russian companies as X5 Reta Group (the Company's "Crossroads" and "Pyaterochka"). For example, "Crossroads" has bought a number of retail operators in Russian majority regions and in Ukraine in the past two years. Chairman of the Supervisory Board of JSC "Perekrestok Ukraine" A.Panas notes that its first branch outside of

Russia was opened in Ukraine. For JSC - is the most attractive market in comparison with the market of Kazakhstan, is closer, and has a developed customer demand, compared to Belarus - more by volume. The volume of Ukrainian market of consumer goods is $ 12 billion, growth of this segment -from 8 to 13% per year. According to the figures offered by companies, the Ukrainian market is easier logistically than Russia or Kazakhstan: the population more evenly distributed across the country, and the distance is smaller than in those countries. Investments in trade and other services of interest are of utmost importance for Russian companies.

At the forefront of the investment movement - Russian investment funds. In the last two or three years due to the excess money in the domestic market of Russia created a DRF (Private equity funds). Now the leaders of the Russian equity market are Baring Vostok Capital Partners, Delta Private Ekiti Partners, Troika Capital Partners, Russia Partners and Aurora Russia. After buying up promising national businesses, they switched to companies from the near abroad - Ukraine and Belarus.

For example, on the website of the Russian Direct Investment Fund "Nova Capital" appears weekly overview of the development of the Ukrainian economy and a description of opportunities for high returns from investing in Ukrainian companies. At the end of 2007, the managing partner of Delta Private Equity Partners Kirill Dmitriev Icon Private Equity has created a fund with a capital of one billion dollars in investments in enterprises in Russia, Ukraine and Belarus. Office of the FPI (private equity fund) have opened in Kiev.

In February 2008, another Accent Russia Opportunity Fund, a Russian fund (Is operated by Accent Real Estate Investment Managers, created by the founder of "Kopeechka" trade network Alexander Samanovym) announced plans to invest in Ukraine. Horizon Capital has completed the first stage of raising funds in the newly created Emerging Europe Growth Fund II (EEGF II) fund worth $ 300 million. (EEGF I with a capital of $ 132 million was established back in 2006.) In the fall of 2007 Euroventures Ukraine Fund together with The Ukraine Opportunity Trust for $ 3.1 million acquired more than 25% of the network of fast foods Anthoreal Estates Ltd («savory Kartoplya», Coffee Time, «Pancakes», Fresh Bar, «Wood" and "Planet of beer "). In 2008, these funds have agreed to buy a 25% stake in the company «Euro Leasing. Another one of the largest private investment company in Russia is "Interros". As of January 1, 2007, the market cost of capital, "Interros" under management of $ 30 billion this russian company presented largely in connection with Ukraine. Leading mobile operators - "Kyivstar", OJSC "MTS", "Beeline", "Golden Telecom" are wholly or partly owned by them. Beeline brand owned by OJSC "Vimpel Communications" - one of the leading in Russian and CIS telecommunications companies. On the territory of Ukraine mobile communication services under Beeline brand provided a 100% subsidiary of CJSC "Ukrainian Radio Systems". "Alfa Group" by the company Altimo's, has significant investments in telecommunications companies, namely: "VimpelCom" (quoted on the nose under the symbol VIP), «MegaFon" and "Kyivstar", the leading telecommunications company in Ukraine. In addition, the Group, through the "VimpelCom", invests in leading provider of integrated and internet services - the company "Golden Telecom".

This are just a few examples of the Russian companies that invest and own companies in Ukraine. This interdependency developed so powerful because of lots of factors like: language, ease

of acces for russian citizens to ukrainian space and a traditional space for russian influence. This investment figures show us that geoeconomics are for Russia the main framework in shaping Russian foreign relations. Another aspect, that worths our attention is that Russian based companies acquired very important stakes in strategical industry sectors like: energy, banking, telecommunications, transports and of course retail and food industry.

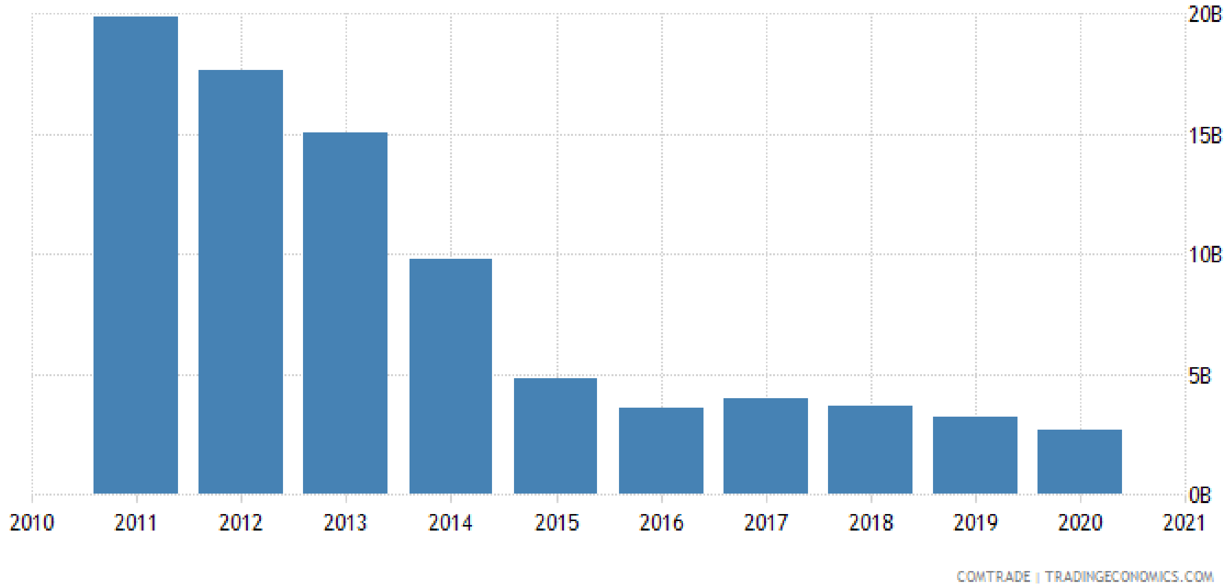
This situation is important to be shown because of the events that followed and the start of the Donbass Conflict between Ukraine and Russia in Eastern Ukraine. The following situation will be described and analyzed with facts that occurred in the reemergence of Russia in the economy of the region.

4.2.2. Transition of the Ukrainian economy from East to West

In the previous chapters we have seen the how Soviet Union and then the Russian Federation played a major part in the Ukrainian economy. Although a traditional link exists of the two countries, in recent years, the conflicts and political factors have changed.

Today, 2020, Ukraine is in a hard transition from an economy that used to be linked in every aspect (as that of Republic of Moldova) to Russian Federation’s economic space to an economy that turns west to the European Union. Significant economic diversification took place, and although created a very hard situation of the Ukrainian economy there are signs of improving. A good sign is the GDP per capita which grew from 3.104 USD to 3.659 USD in 2019. It may not look significant, but Ukraine has an open conflict in eastern part of the country and Crimeea is under Russian administration. A forced diversification of the economy and export is much appreciated, but it is a very slow and hard process with a lot of hurdles.

Figure 26. ***Ukraine – Russian Federation trade relationship, bn USD***



Source: *Comtrade / www.tradingeconomics.com*

As in the chart above we see how slowly the economic relations with the Russian Federation depreciated because of the political factor and the changing climate of politics in the space of former Soviet republics. The future of Ukraine is, as of now, near the European Union and near the western partners which are not traditional for Ukraine. A huge shift of a country considered large and with huge potential. Further in the following paragraphs we will detail the transition process, with its characteristics and aspects.

Liberalization of mutual access to markets is traditionally considered to be perhaps the most obvious advantage of the concluded Association Agreement and the creation of a free trade area between Ukraine and the EU. It should be noted that the liberalization schedules set out in the Agreement (Annexes I-A (Parts 1 and 2) to Chapter 1 of Section IV of the Agreement) have been stretched over time, and are more common and longer in relation to EU exports to Ukraine - which is generally considered a favorable factor for Ukraine, as it gives Ukraine some time to adapt to a number of sensitive sectors[136]. "

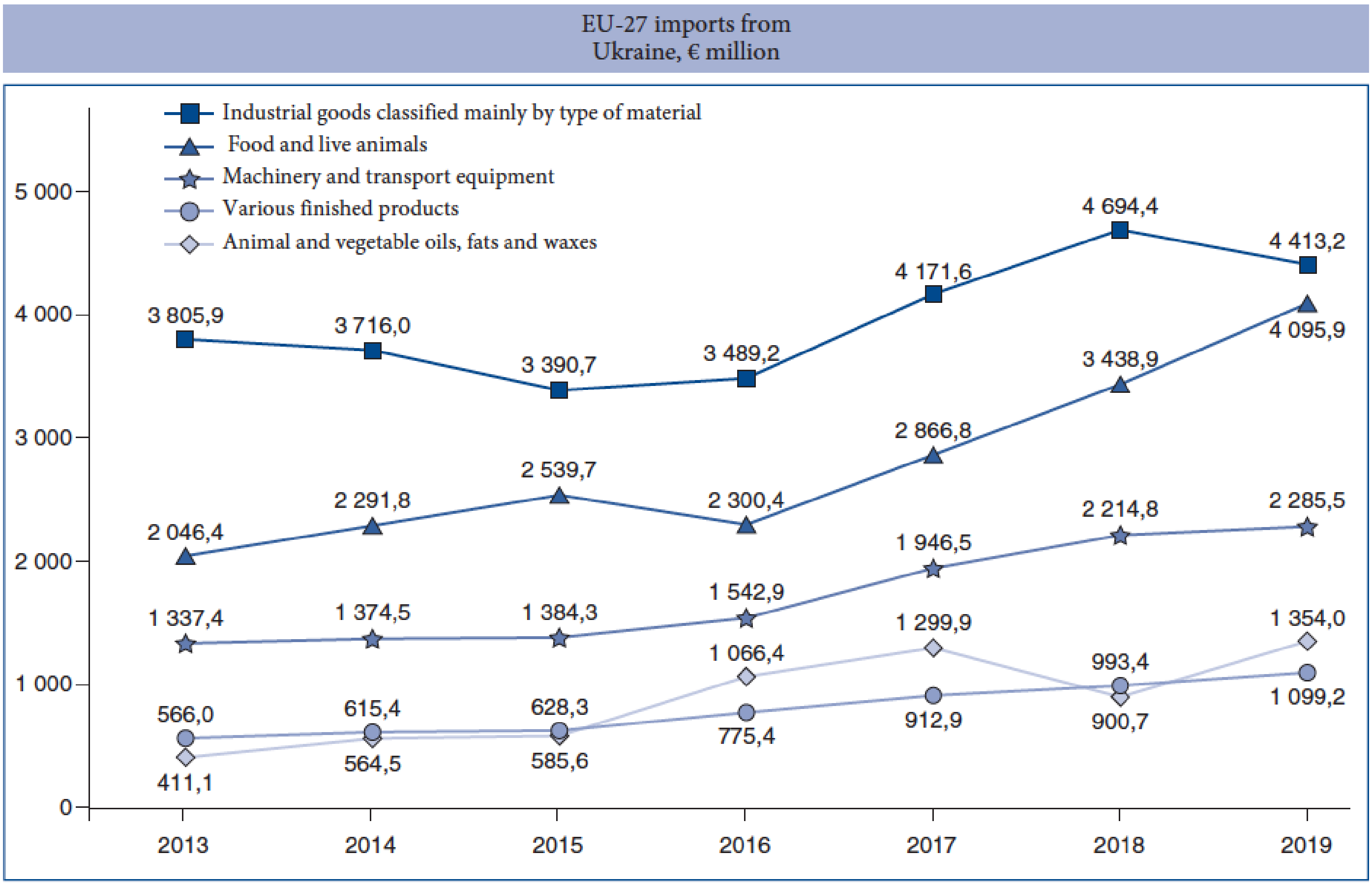
However, this certain formal asymmetry of the liberalization schedule in favour of Ukraine is a marginally offset by two unfavourable regimes for Ukraine - the application of tariff quotas to a significant number of items (32 groups of goods in total) of Ukraine's agri-food exports to the EU and high technical barriers to market access.

[136] The transition period determined by the tariff schedule of Ukraine for certain sensitive goods for Ukraine - mainly agri-food group, certain types of machines and devices - reached 5, 7 or even 10 (vehicles) years, and for some tariff items not full but partial liberalization (mostly by 50% or 20% for 5, 7 or 10 years.)

And if the first of these obstacles only slightly hinders the development of Ukrainian exports to the European market, the second really created a situation where the benefits of tariff trade liberalization for Ukraine are largely offset by the impossibility or difficulty of entering the EU market due to technical regulation.

As a result of such an asymmetric impact of the trade liberalization process on various sectors of the economy, the dynamics of Ukrainian exports to the EU in the period 2013-2019 was quite different in the sector (diagram" EU-27 imports from Ukraine ")[137].

Figure 27. ***E.U imports from Ukraine***



These charts show that the representatives of the Ukrainian agribusiness and food industry benefited the most from the opening of the European market, as they were able to double the volume of exports by group of food products and increase exports by almost 2.5 times the group of animal and vegetable oils and fats. (mainly due to sunflower oil).

At the same time, representatives of Ukrainian ferrous metallurgy (group “industrial goods classified mainly by type of material”) used the tariff opening of the EU market only to a limited extent, which is primarily explained by structural imbalance (excess supply over demand) in the

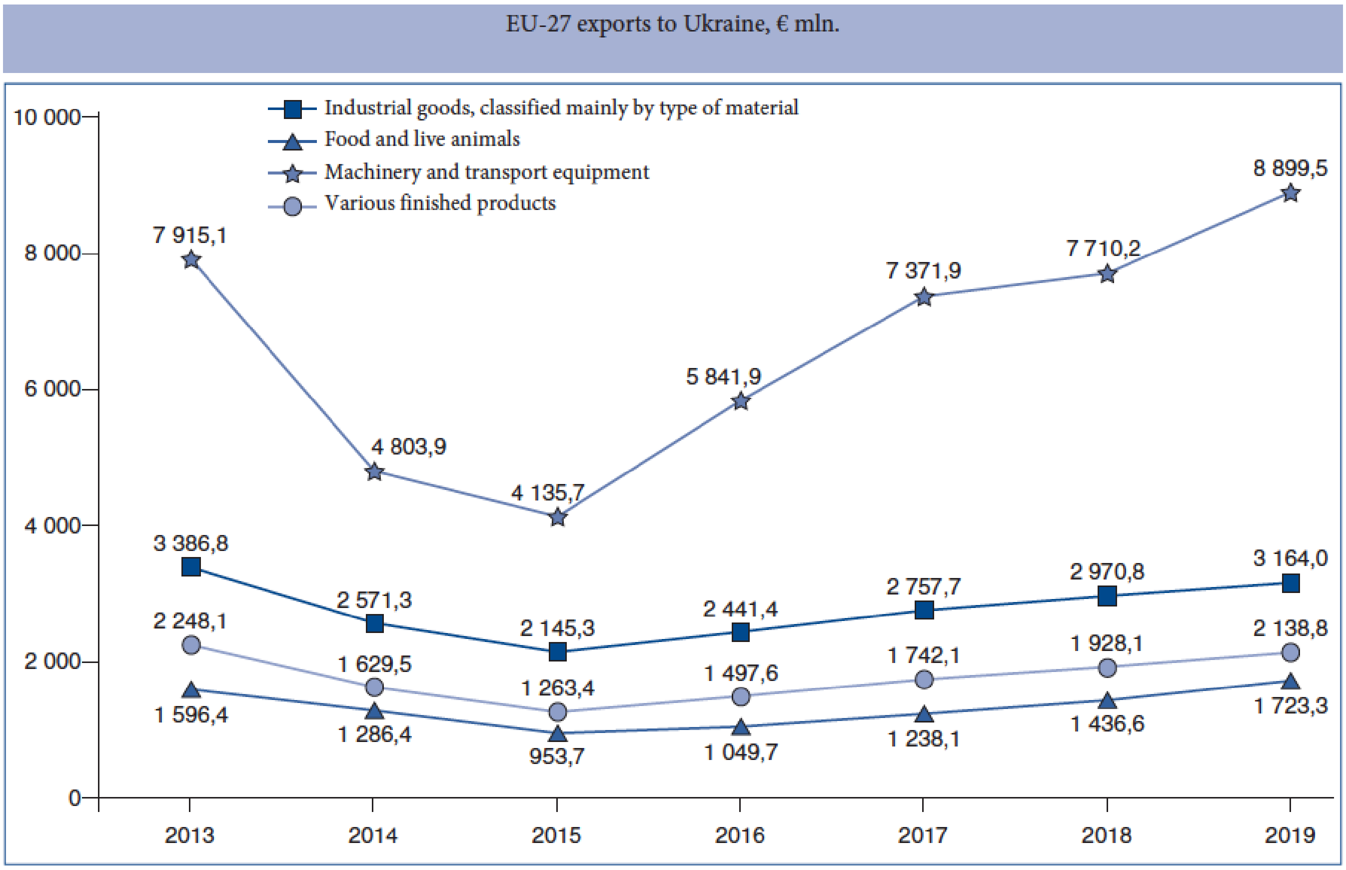
[137] Compiled on the basis of the Eurostat Database “EU Trade Since 1988 By SITC” (according to the Standard International Trade Classification SITC) "Easy Comext." Eurostat. Accessed August 16, 2021. https://epp.eurostat.ec.europa.eu/newxtweb.

world of ferrous metals market. Successes in the European market for Ukrainian producers of machinery and equipment and various finished products seem to be steadily growing, but in general quite moderate in volume: they do not compensate for the losses in the Russian direction, resulting from prolonged trade wars and policies to displace Ukraine from Russia. markets.

The effect of trade liberalization on European exports to Ukraine (Diagram EU-27 exports to Ukraine,) 14 turned out to be very different: in fact, all major groups of EU merchandise exports experienced a period of significant decline under the influence of the avalanche devaluation of the hryvnia in 2014-2015. , a significant drop in incomes and a contraction in effective demand for goods proved to be much more effective than the effects of tariff liberalization.

With the partial restoration of macroeconomic stability and the beginning of some growth in production and incomes, the resumption of EU exports to Ukraine began, which in 2019 reached pre-crisis levels in 2013 or even slightly exceeded them. However, in general, the chart shows that did not lead to an increase in imports of goods from the EU to Ukraine.

Figure 28.*E.U exports to Ukraine*



Source: *UN COMTRADE, https://comtrade.un.org/data/*

Contrary to the fears of many experts and representatives of Ukrainian business, the formation of the FTA with the EU did not become a systemic factor in the suppression of Ukrainian

production, as overall EU-27 exports in 2019 were only 3.6% higher than in 2013, when the FTA agreement did not exist.

However, on the other hand, the FTA with the EU has not yet managed to become a systemic factor of development for most sectors of the Ukrainian economy, which would contribute to improving its structure, overall competitiveness and diversification of economic activity and market spectrum. Hence the urgency of revising the accents of trade policy in relations with the EU.

It should be noted, however, that the Agreement generally provided a schedule of gradual increase in tariff quotas[138], which, however, has different consequences for Ukrainian exports in terms of individual product lines. After all, for example, in 2019, Ukrainian exporters used the opportunities for 32 out of 40 established tariff quotas, 11 of which were used in full and two were used by more than 95%, only 11 tariff quotas were fully used - for corn, wheat, barley, honey, sugar, grape and apple juice, processed tomatoes, flaxseed starch, butter, poultry and starch.

Tariff quotas have a restrictive effect on Ukrainian poultry exports. However, it should be noted that in 2019, Annexes I-A of the Agreement were amended to change the EU's obligations to increase tariff quotas on On 17 January 2020, an agreement in the form of an exchange of letters between the EU and Ukraine amending the trade preferences for poultry meat and processed poultry meat (provided for in the Association Agreement) entered into force on 1 February 2020.

Although the issue of further expansion of tariff quotas for certain types of Ukrainian exports may be put on the agenda, this issue, from the point of view of economic development strategy, is not unequivocally positive for Ukraine, although, of course, it is in the interests of large Ukrainian agricultural holdings exporting grain and poultry to the EU market. The fact that increasing Ukraine's agri-food export opportunities in a narrow segment of the range - outside the context of strengthening the overall mechanisms of access to the EU market - may further increase the bias in divization and primitivization of the structure of the Ukrainian economy.

What is important for Ukraine is not so much the further expansion of exports in its current, already distorted structure, typical for underdeveloped countries, as the implementation of far-reaching structural correction of economic development - with the allocation of a number of high-tech industries. With regard to the agri-food sector, this should not mean an increase in quotas for the export of traditional products, but primarily organic products. This is how the issue should be raised in the process of possible application of certain provisions of the Association Agreement.

Technical barriers to trade and conditions of access to industrial products markets (" industrial visa waiver “)

The most important task in this context is to create the preconditions for entering the EU market ahead of schedule with products with a high content of added value and a higher level of manufacturability. One of the most important prerequisites in this context is the accession of Ukraine to the European system of certification and recognition of conformity of industrial products (Agreement on Conformity Assessment and Acceptance of Industrial Products, ACAA). It is this mechanism, provided in Article 57 of the Agreement, that will significantly simplify access for

[138] See: Volumes of tariff quotas in 2017-2021 within the framework of the DCFTA. - Ministry of Economic Development of Ukraine, https://me.gov.ua/Documents/Detail?lang=uk- UA isSpecial = True & id = f5cea3c3-d7e0-4e49-994d -f87089e3d3fc & title = Tariff QuotasVRamkakhPvzvt.

Ukrainian producers to the EU single market, as it will replace certification and certification procedures in the EU with appropriate procedures that will be carried out directly in Ukraine. It is no coincidence that this mechanism is simply called "industrial visa", although this term is not entirely appropriate[139].

Although it has taken appropriate measures to adapt to European technical regulations, which in recent years have been carried out in accordance with the Strategy for the development of the technical regulation system until 2020 (approved by CMU Order №844 of August 19, 2015), in general As a result, with the start of the preparatory work 15 years ago19, preparations for the start of formal negotiations on this issue are only now beginning.20 The lack of proper dynamism has led to a waste of time and a slowdown in the exit process. to the European market with mechanical engineering products and other finished products.

Work on joining the European conformity assessment system (in the form of a protocol to the Association Agreement) requires not only the adoption of a number of legislation on standardization, certification, conformity assessment, metrology, market surveillance, harmonized with the acquis, but also the creation of an extensive infrastructure capable of performing practical conformity assessment functions. This means the need for significant government spending to create a set of organizations with the functions of evaluation, staff training, deployment of modern information networks, including with the information on the peculiarities of technical regulation not only at the community level, but also at the EU (because not all issues are regulated by common rules).

Annex III to the Agreement (“ List of legislation for adaptation with indication of terms for its implementation ”) identified 27 groups of industrial products - primarily machine-building. They are covered by the schedule of adaptation of the so-called vertical (sectoral) legislation, which had to be carried out for mainly 2-3 years from the date of entry into force of the Agreement and only in some cases within 4 (radio and telecommunication terminal equipment, pleasure craft) or 5 years (weighing instruments, high-speed railways, marking and standard information on energy consumption and other energy-related products).

As for general (cross-sectoral) issues of technical regulation (so-called horizontal or framework legislation), the schedules provided for their implementation within only one year from the entry into force of the Agreement. These initial schedules were mostly not met. The actual practice of implementing these schedules has shown that it is associated with a significantly more complex set of necessary transformations than expected, first of all, with a significant lack of resources available to Ukraine for the purpose of such a large-scale adaptation. therefore, as a rule, the fulfillment of these obligations by Ukraine was not far behind.

In such conditions, there is practically no other way out for Ukraine than concentrating efforts in those areas of horizontal technical regulation that have the greatest potential for export to

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[139] Unlike the regime of free movement of persons, where the visa-free regime does mean the abolition of visa formalities," industrial visa-free "does not abolish any requirements for exported products, but only brings them closer to exporting producers through the transfer of appropriate procedures. National authorities of Ukraine, which will have to act on the basis of European standards for assessing compliance with technical regulations, in contrast to the regime of free movement of persons, which really reduces travel costs, the so-called "industrial visa waiver" may increase Ukraine's total costs. due to the need to deploy the relevant certification infrastructure and verify compliance with applicable technical regulations.

the EU market and relatively less resources needed to adapt - only with the gradual expansion of this rhetoric. industrial production[140].

The problem is that due to the length of the process of adapting Ukrainian legislation to European legislation in the field of technical regulation during the implementation of the Agreement, within the EU there are significant continuous changes in legal regulation in this area, which increasingly complicate Ukraine's tasks. An illustrative example here is the evolution of European legislation in the field of market surveillance - the adoption on June 20, 2019 (with effect from July 16, 2021) of the new Regulation 2019/1020 on market surveillance and product compliance[141], which significantly strengthens the powers of market surveillance authorities and market surveillance mechanisms Another example of an important regulatory innovation is the adoption of a new act on persistent organic pollutants[142]. Therefore, it can be stated that the closer it gets to the European Union, Ukraine will be faced with the task of amending legislation, supervisory and other aspects of technical regulation.

Furthermore, it should be noted that the whole process of preparation of Ukraine for the so-called "industrial visa-free", is carried out with rather vague technical assistance from the EU in these matters, which in no way cannot be compared with the amount of assistance received by Eastern Europe countries in the process of preparing them for EU membership.

Under what conditions Ukraine is forced to incur quite burdensome costs for the adaptation of the entire system of technical regulation to EU rules, without receiving a proper return on investment, it is yet unclear. This asymmetry becomes particularly noticeable and less and less socially acceptable in the face of significant burdens on the Ukrainian an economy struggling with the aftermath of the COVID-19 pandemic. It is clearly time for the text of the Association Agreement to correct this asymmetry.

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[140] The 2005 Action Plan identified four priority sectors for the adaptation of vertical (sectoral) legislation in this area - low-voltage equipment, electromagnetic compatibility, mechanical engineering products and simple pressure vessels. For the first three of them, the relevant technical regulations were implemented. in Ukraine in the period 2012-2015 (with appropriate corrections in 2018.) And as of October 2019, technical regulations have already been adopted on the basis of new directives and EU regulations in the sectors: simple pressure vessels, mobile pressure equipment, devices gaseous fuels, elevators, toys, non-automatic weighing instruments, measuring instruments, equipment for work in potentially explosive atmospheres, personal protective equipment, cableways, industrial explosives, pressure equipment, energy efficiency requirements (ecodesign) and energy labeling Most types of household appliances and other electrical appliances for which such requirements exist at EU level. Thus, they are also formally ready to join the ACAA. See: Public Synergy Project. Integration within the association: dynamics of implementation of the Agreement between Ukraine and the EU. Analytical report, December https: //www.civic-synergy.org.ua/wp-content/uploads/2018/04/Integratsiya-u-ramkah-asotsiatsiyi-dynamika-vykonannya-Ugody-mizh-Ukrayinoyu-ES-3-e-vydannya-1.pdf. "

[141] Regulation (EU) 2019/1020 of the European Parliament and of the Council of 20 June 2019 on market surveillance and compliance of products and amending
Directive 2004/42/EC and Regulations (EC) No 765/2008 and (EU) No 305/2011. – Official Journal of the European Union, L169/1, Vol.62, 25 June 2019, https:// eur-lex.europa.eu/legal
content/EN/AUTO/?uri=uriserv:OJ.L_.2019.169.01.0001.01.ENG&toc=OJ:L:2019:169:TOC

[142] 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants. – Official Journal of the European

4.2.3. Ukrainian economy after the Association Agreement and actual situation

In the wake of the global corona pandemic, Ukraine slid into an economic crisis in 2020. Due to the month-long lockdown and strict travel restrictions both in Ukraine and in the most important partner countries, economic output fell by 4% in 2020. For 2021, the forecasts are for growth of 3-4%, depending on the further development of the Covid situation.

After the economy slumped by 11.4% in the second quarter, the USD 5.3 billion prestige project “The Great Building” in particular ensured a stabilization of the economy (Q3: -3.5% and Q4: -0.5 %). Further reasons for the relatively small decline in GDP compared to comparable countries are the Ukrainian export structure, which is largely based on raw materials (agricultural products, iron ore), the world market prices of which have remained stable, and the relatively low value added share of tourism. Domestic tourism was able to achieve new record figures thanks to a lack of travel alternatives.

By far, the most important economic engine, private consumption (75% of GDP), also recovered unexpectedly quickly and rose by 0.5% in 2020 as a whole compared to the previous year. The joy of consumption returned quickly thanks to rising real incomes and persistently high monetary payments by Ukrainians living abroad. These cash transfers amounted to just under USD 12 billion (about 7% of GDP). In the process, consumers switched to e-commerce to a large extent. This developed rapidly with a rate of increase of over 40%. New platforms and logistics service providers emerged. Consumer goods are often handled through large warehouses in Poland. In order to counteract the lack of storage space and to be able to deliver goods to the end customer more quickly, parcel service providers are gradually investing in the expansion of logistics centers. According to the EIU, in terms of private consumption, Ukraine ranks 54th in the world, behind the Czech Republic and ahead of Kazakhstan and Hungary.

The IT industry was able to benefit from the global wave of digitization and continue its rapid growth. Exports of IT services rose by over 20% to a record high of USD 5 billion. The sector is thus an important growth driver of the Ukrainian economy and a magnet for foreign direct investments. More than 120 international companies have already opened a research and development center in Ukraine. The main reason for this is the availability of highly trained engineers and IT specialists.

A positive effect of the Covid crisis is the possibility of “remote work, which has become the new norm worldwide. An estimated 300-500,000 Ukrainians, who offer their work on international platforms, benefit from this. In addition to the IT services already mentioned, these also include translations, planning services and research activities. The high level of labor migration poses major challenges for Ukraine. Around 3 million Ukrainians work abroad (mainly in Poland, the Czech Republic and Slovakia).

In the course of the Corona crisis, an estimated 500,000 migrant workers returned to Ukraine. However, due to the lack of job prospects on the Ukrainian labor market, many are looking for a job abroad again.

During the Covid crisis, the Ukrainian economy also showed that it is significantly more stable and resilient than in previous crises (it was not until 2014/2015 that Ukraine had instability due to the illegal annexation of Crimea by Russia and the outbreak of the Donbass conflict and declining investment). In 2020, the national currency, the hryvnia, remained relatively stable at an

annual average of 30.77 UAH for 1 EUR. The annual average inflation rate was 2.7% and rose to over 5% at the end of the year.

Last year, however, Ukraine was unable to finance the budget deficit, which rose from 2% to around 8% of GDP, without the help of international donors. Ukraine therefore negotiated an 18-month aid program worth USD 5 billion with the International Monetary Fund (IMF). This is of crucial importance for the macro-financial stability of the country and an important sign for investors to keep the country on the reform course. The disbursement of the loan is tied to several conditions such as the implementation of reforms in the area of combating corruption. The markets reacted positively to the IMF's decision. Moody's rating agency improved Ukraine's rating to B3 (from Caa1) with a stable outlook.

After the successful adoption of some important reforms (land and banking reform) and the disbursement of a first tranche of USD 2.1 billion, the reform process came to a standstill. So far, no agreement has been reached with the IMF for the payment of a further tranche. With Ukraine having to repay the largest amount of external debt in September 2021, it can be assumed that it will step up its efforts to implement important reforms in the coming months.

To support the economy, the Ukrainian National Bank gradually lowered the key interest rate to a record low of 6% in the course of 2020. Due to rising inflation in the first quarter of 2021, the central bank raised the key interest rate again to 7.5%.

The corona crisis is accelerating the change from heavy to light industry. The production of the outdated heavy industry, especially in the east and south of the country, has been declining for years. There is an urgent need for modernization because too little has been invested in new systems and technologies since independence in 1991. The capital-intensive production of metallurgy and machines is declining the most. The chemical and pharmaceutical industries performed best. Other areas with potential are the food and wood processing industries as well as the production of textiles.

As one of the world's most important agricultural producers and exporters (sunflower oil, barley, corn, wheat, soy, honey, walnuts, apples, cherries, tomatoes, etc.) with a great deal of untapped potential, Ukraine is of strategic importance in global food security. Also international financial institutions support the development of a sustainable livestock and agricultural economy with technical assistance and access to finance.

The expansion of the Black Sea ports and growing trade relations with Asia and the Middle East strengthen the role of Ukraine as a strategic logistics hub. Ukraine has been on a clear rapprochement course with the EU since 2014. The most important milestone in this direction was the signing of the association agreement with the EU, which came into force on September 1, 2017. As part of a “deep and comprehensive free trade area” (DCFTA), this promotes economic links with the European Union and provides the framework for modernizing the Ukrainian economy and aligning laws, standards and regulations with European ones Norms.

Foreign trade 2020: the advantages of this agreement are reflected in the development of foreign trade with the European Union. The EU is Ukraine's main trading partner: 37.8% of all exports go to the EU and 43.4% of Ukrainian imports come from the EU.

Ukrainian imports fell by 11% to USD 54 billion in 2020 while exports fell by only 1.7% to USD 49.21 billion. This brought the trade deficit to USD 4.88 billion (2019 comparison: USD 10.75 billion). Ukrainian deliveries of goods to the EU fell by 10.3% to USD 18.61 billion, imports

from EU countries by 6.2% to USD 23.46 billion. Only exports to China jumped by an impressive 98%. This means that China will remain the most important individual country partner for both Ukrainian imports (15.4% share of total imports) and exports (14.5%) in 2020. The second most important export destination for Ukrainian companies is Poland (6.7%), the second most important import partner is Germany (9.9%). Russia remains in third place of the most important foreign trade partners (5.5% of exports and 8.4% of imports). Other important sales markets are Turkey, Germany, India, Italy, the Netherlands, Egypt and Belarus. The most important export products are agricultural products and metals, which make up around 50% of goods exports. According to the European Commission, Ukraine is the third most important supplier of agricultural products to the EU and the fastest growing food exporter.

4.2.4. Special mentions – Russian – Ukrainian relations

Tensions between Russia and Ukraine have been increasing again since March 2021. Attempts by Ukrainian President Volodymyr Zelenskij to resume negotiations with Russia failed after the first positive signals, an exchange of prisoners and a ceasefire agreement in July 2020, most of which were adhered to. There is currently no foreseeable defuse of the conflict, but it would be an important prerequisite for further economic development and the confidence of foreign investors. The conflict is not only damaging to the company's image, it also ties up budgetary resources.

Ukrainian President Volodymyr Zelensky has been in office since June 2019. He won with 70% of the votes over the then incumbent Petro Poroshenko. Also in the parliamentary elections that followed shortly afterwards, Zelensky's “Servants of the People” party was able to achieve a majority. New and young ministers should embody the political upheaval.

The government coined the term “turbo regime”: implementing reforms, major projects, increasing foreign investments - everything should be done quickly. In March 2020 - shortly before the outbreak of the corona epidemic, the prime minister, most of the ministers and the directors of the customs and tax administration were replaced. Since then, observers and international business associations have criticized the lack of progress in the implementation of important legislative projects, including those aimed at improving the investment climate. The business climate survey among the branches of European companies in Ukraine showed that the lack of legal certainty, corruption and an unpredictable economic policy are seen as the greatest obstacles to investment (details of the survey).

Land reform should be mentioned on the positive side of the reform record. Ukraine is one of the last countries in the world to have a sales or Purchase ban on agricultural land. From July 1st, 2021 the market will be opened with restrictions (purchase of max. 100 hectares). For the time being, however, foreign natural and legal persons will not have access to the market. Further market liberalization, which is extremely unpopular among the population, is to be decided in a referendum. The land reform gives farmers a longer planning horizon for investments and easier access to loan finance. Investments in urgently needed irrigation systems, equipment and modern technologies will be made in the medium term. Efficiency, yields and international competitiveness could be increased and the great untapped agricultural potential gradually released.

Investments declined 38.2% in 2020, at the lowest level in 20 years. To counteract this negative trend, Ukraine has passed several investment promotion laws. Investments of more than EUR 20 million, in the context of which at least 80 jobs are created, benefit from certain tax breaks (VAT, food exemption, etc.). In addition, investors are provided with an advisor (“an investment nanny”) from the President's Office, who is supposed to help them overcome any bureaucratic obstacles. The law is therefore known as the “nanny law”. The subsidies apply to the infrastructure and logistics, tourism, health etc. sectors. The subsidies do not apply to renewable energies, mining, agriculture or the banking sector.

The first progress was made in the privatization of state-owned companies. In 2020, properties totaling USD 110 million were sold. The first major privatization property, the Dnipro hotel in downtown Kiev, was auctioned for USD 41 million to a Ukrainian company that is to build an e-sporting center. In March 2021, a law was passed that also allows the privatization of large companies with a value of over UAH 250 million. These objects include production companies in the areas of machines, chemicals, power supply, hotels, etc.[143]

5. Russian Federation and the Eastern Partnership

5.1. General background

The space of the "Eastern Partnership" as a separate region started to stand out relatively recently, and more in connection with the creation of the EU program "Eastern Partnership". In relation to the Member States in the "EaP" the term "newly independent State" was last time used among Russian researchers, which means that through this tool, Russia begun to consider this states as functional and real.[144] Belarus, Moldova and Ukraine were allocated to a "new Eastern Europe"[145], and Armenia, Azerbaijan and Georgia - in the "South Caucasus". However, this division is rather arbitrary, since it is impossible to clearly identify any international political region in this area due to the small number of relationships and different foreign policy orientations of the countries of the "Eastern Partnership". The phenomenon of the "Eastern Partnership" is the existence of a group of countries, which generally are not in an internationalized political region, but perceived as such due, to the location between two powerful geopolitical actors or factions.

143 The sale takes place via the online tendering platform *prozorro. https://privatization.gov.ua/en/*

144 “НОВЫЕ НЕЗАВИСИМЫЕ ГОСУДАРСТВА (ННГ) - государства возникшие после распада Союза Советских Социалистических Республик. (Толковый сл...,” www.slovarnik.ru, accessed August 16, 2021, http://www.slovarnik.ru/html_tsot/n/nov3e-nezavisim3e-gosudarstva.html.

145 Дмитрий Тренин, “Россия и новая Восточная Европа,” Carnegie Moscow Center, accessed August 16, 2021, http://www.carnegie.ru/publications/?fa=40669

Eastern Partnership was created for creating a geopolitical and geo-economic framework »(region build)[146], similar to the Mediterranean, and its main objective is to concentrate on multilateral projects with the involvement of neighboring countries to participate in and also including a finance component. For example, the Visegrad Group and the Central European Free Trade Agreement, the European Union decided a format of "institutionalized integration" to promote sub-regional cooperation and economic cooperation to strengthen stability eastern neighbors.[147]

In general, the "Eastern Partnership" project can be interpreted with the help of the theory of a "cooperative hegemony" in the definition of T. Pedersen.[148] According to Pedersen, this type of regional order arises in cooperative hegemony, in which "soft control" is due to conclude long-term agreements on cooperation in the framework of an overall strategy. In this case, the initiator of a "managed integration" can take advantage of four advantages: advantage of scale (aggregate power and resources), the advantage of stability (a high probability of cooperative interaction and low incentives to small countries to exit from the influence), the advantage of inclusion (access to natural resources other countries and the possibility of integration of the diaspora as a leading power), the advantage of the democratic and liberal principles.(European ideas and principles).

In this context, we can say that the European Union takes out the United States as a regional player in the region of the "Eastern Partnership", on the fact of offering a better alternative to the Organization for Democracy and Economic Development - GUAM (Georgia, Ukraine, Azerbaijan, Moldova). At the same time in 2009, Prime Minister of the Czech Republic, the EU Presidency, Mirek Topolanek, answering the question, if GUAM is replaced by the Eastern Partnership (since all member countries of the organization involved in the project), said he did not think that this could happen.[149]

In fact, integration and cooperation in the GUAM format has not developed enough and hasn't been too active, and we can say that the "Eastern Partnership" project currently has a higher priority for the participating countries. Moreover, the US is now recalibrating its position in the serious perspective of the "Eastern Partnership", and the European Union's "Eap" as the Euro-Atlantic project.[150]

Among the characteristic features of the region's in "Eastern Partnership" can be distinguished:

1. The transit location between Asia and Europe. The possibility of development of transport

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146 Kerry Longhurst, Susanne Nies, 'Recasting relations with the Neighbours – Prospects for the Eastern Partnership', IFRI, 02.2009. URL: http://www.ifri.org/files/Europe_visions/Europe_Visions_4.pdf.

147 AA, Baikov, op. at St. George's, TV Problems of regional security: the modern European experience. MGIMO-University Bulletin, №1 (15), 2010. URL: www.vestnik.mgimo.ru/index.php?option=com_content&view=article&id=457 – accessed 30.12.2018

148 Nikitina, Y. From integration to regionalism: evolution of regional international cooperation theories. MGIMO-University Bulletin, №1 (15), 2010.

149 "Новости Украины. Последние новости Украины: UA-NEWS.in.ua," Новости Украины, accessed August 16, 2021, http://rus.newsru.ua/world/07may2009/takeapart.html.

150 Transcript of the Conversation with Štefan Füle at the Brookings Institution, 29.11.2010. URL: http://www.brookings.edu/~/media/Files/events/2010/1129_eastern_partnership/1129_eastern_partnership_transcript.pdf - accessed 30.11.2018

corridors, including the transit routes of energy in the direction of Asia (Caspian) - Caucasus - Europe.
2. Junction with a large number of seas - Caspian, Azov, Black and Baltic (via Lithuania, Latvia and Poland). The potential for the development of maritime transport of those countries that currently do not have access to the open sea (Belarus, Armenia).
3. Geopolitical "vise" between the EU and Russia. As a consequence - the countries of the region are strongly influenced by both geopolitical actors, and forced to either make a geopolitical choice, or balance. Due to the collision of values and interests, as well as the intervention of external players in the region, this countries hardly to develop an own identity.
4. The difference between the military and political orientation of the region. Ukraine and Georgia aspire to NATO, Armenia and Belarus are members of the CSTO, Azerbaijan and Moldova remain neutral status in cooperation with NATO.
5. The geographical gap in the region (on the one hand, Ukraine, Moldova and Belarus, and on the other hand, Armenia, Azerbaijan and Georgia).
6. Different types of political regimes (Belarus, Azerbaijan - authoritarian regimes, Ukraine and Georgia - democratic, Armenia and Moldova - Transition).
7. Various free trade regimes. Ukraine, Moldova, Armenia and Georgia - in the WTO, Belarus - in the Customs Union with Russia and Kazakhstan, Azerbaijan occupies a neutral, but tends to the WTO.
8. The territorial conflicts (Transnistria, Nagorno-Karabakh, Abkhazia, South Ossetia, Crimea) as an obstacle to stability in the region and communications.
9. The need for diversification of foreign, economic and political modernization as the convergence factor.

5.2. Russian ‘s role in the development of the Eastern Partnership.

At the first stage the post-Soviet states were united by the fact that economic and political ties between themselves and Russia were more intense than with external players. They are the common heritage of the planned economy and since the collapse of the Soviet Union has undergone reform in various post-Soviet countries to varying degrees. There was a common military infrastructure, and Russian language remains a mean of intercultural communication, the general history of co-existence within the Soviet Union, as well as deep ties in various fields. At the moment, Russia is a kind of axis of the post-Soviet states which make a choice as to whether they want to or do not want to cooperate with Russia.

The informal division of the region:
1. Countries that reject integration with Russia (Georgia, Ukraine)
2. Countries that partially preserve preferential relations with Russia (Moldova, Armenia, Azerbaijan)
3. Countries that agree to belong to the core of integration on post-Soviet space (Belarus) Since the 2000s there is a reluctance of most states to focus on Russia, and Russia has not enough money to persuade these countries. This is despite the creation in 2000 of the Eurasian Economic

Community and the signing in 2003 of documents on the establishment of the Common Economic Space of Russia, Belarus, Kazakhstan and Ukraine.

From 2004 to 2008, marching on pragmatism of Russia's relations with neighboring states, developed in parallel with the launch of the European Neighborhood Policy of the European Union - Russia offers subsidized energy prices. Finally, from 2008 to the present time the development of relations in the triangle of: Russia – states of the "common neighborhood" - the EU, Russia is influenced by the creation of the "Eastern Partnership" and the global financial and economic crisis. After the official launch of the "Eastern Partnership" Russia is waiting, but then her distrust of the "Eastern Partnership" is gradually abating.

However, Russian Foreign Minister Sergei Lavrov, speaking May 13, 2010 to the Federation Council, said that the EU's policy of "Eastern Partnership" could harm relations with Russia's partner countries. These fears may be groundless, as an example - the functioning of the EurAsEC. In addition to Russia and Belarus, it includes Kazakhstan, Kyrgyzstan and Tajikistan. Involvement of some of these countries in the "Eastern Partnership" will create serious political and legal problems, particularly as to where it ends and begins, EurAsEC jurisdiction, and the jurisdiction of the Eastern Partnership. And after the establishment of the Customs Union of Belarus, Russia and Kazakhstan, and the signing, in December 2010, of the documents on the establishment of a single economic space, the formation of "European Neighborhood Economic Community" apparently stalled.

Development of the "Eastern Partnership" cannot be considered in apart from the EU-Russia relations and the program "Partnership for Modernization", as the states of the "new Eastern Europe" due to the low diversification of shopping destinations are highly depending on the data of regional players.

Within the framework of EU-Russia relations come into conflict the principle of "sphere of influence» and the principle of "mutual interests" (diffusion of interest)[151]. Perceiving the "Eastern Partnership" in a negative way, the European Union imposes the Kremlin a "zero-sum game", where the winner in the battle for influence can be only one. The European Union also argues that the "Eastern Partnership" is equally beneficial for the parties, and therefore Russia should support it, or at least not hinder the realization of the project. Reach an understanding of the parties in relation to the objectives of the project prevents the logic of the Cold War, which is still influenced by the thinking of a number of leaders on both sides of the "Eastern Partnership".

Both Russia and the European Union have their own "loyalty programs" in relation to the states of the "new Eastern Europe" and the South Caucasus, as a result of the above logic between them, inevitably arises competition. Both players are interested in achieving maximum economic benefits required to secure leadership in the regional and global scale. It is possible to argue that the

151 Sebastian Schäffer, 'Russia and the Eastern Partnership: from zero-sum to positive-sum', 29.01.2010. URL: http://www.opendemocracy.net/od-russia/sebastian-sch%C3%A4ffer/russia-and-eastern-partnership-from-zero-sum-to-positive-sum

foreign policy resources of the European Union and Russia to conduct its policy in the countries of "Eastern Partnership" roughly comparable, because the European Union is not yet ready to allocate more funds for the "Eastern Partnership", and Russia remains attractive due to the prevailing historical cultural and social ties, the presence visa-free regime and softer migration policy[152].

The results of a comparative study of foreign policy options of the EU and Russia, done by OV Shishkina, show that the most promising and hassle-free region "Eastern Partnership" to be able to develop relations in three main areas: modernization, mutually beneficial energy partnership and prevention of military and political conflicts. At the same time, ON Barabanov believes that in the case of preventing the disengagement and ideological formation of a common EU-Russia ideological space, will create a favorable background for the development of diverse forms of cooperation in other areas [153].

Views of the Eastern Partnership countries on its functioning and development.

Some experts believe that the main challenge that is faced by Poland in the further promotion of the "Eastern Partnership" is the coordination of policies of this vast number of European institutions on the "eastern neighbors" and to maintain interest in the project[154].

Ukraine in fact, wanted to make part of the European Union more than the participation in the "Eastern Partnership". Even after the change of power in 2010, the new President of Ukraine Viktor Yanukovych continued the path to European integration. Some authors believe that a democratic and stable Ukraine is a key to the transformation of the entire region. The impact of the European Union through the principle of "political conditionality" in the Ukrainian politics may be effective enough. After the Yanukovych rule, things got out of control in Ukraine, but this will be later analyzed in a separate chapter.

New Moldavian government formed the "Alliance for European Integration" after the parliamentary elections in 2009, and it was committed to European integration and believes that the "Eastern Partnership" is a step on the road to membership. Chisinau hopes that the accelerated integration with the European Union will allow more to resolve the Transnistrian conflict. Moldova - the only country whose relations with the European Union developed rapidly after the start of the "Eastern Partnership", the EU rewarded the efforts of the Government of the country Europeanization of the talks on the Association Agreement, as well as additional financial injections. Soon it will also start a dialogue on visa liberalization and the agreement on free travel zone. The experts there fear that if returned to power, the Communists will minimize the policy of

152 Shishkin, O. The foreign policy resources of the EU and Russian space nA "common neighborhood": A Comparative Analysis. MGIMO-University Bulletin, №1 (16), 2011. URL: “Вестник МГИМО-Университета,” www.vestnik.mgimo.ru, accessed August 16,
2021, http://www.vestnik.mgimo.ru/index.php?option=com_content&view=article&id=399.

153 Barabanov ON, Klimenko AI The concept of a common ideological space of the EU and Russia. MGIMO-University Bulletin, №1 (10), 2010. URL: “Вестник МГИМО-Университета,” www.vestnik.mgimo.ru, accessed August 16, 2021, http://www.vestnik.mgimo.ru/index.php?option=com_content&view=article&id=171.

154 'European Union and its Eastern Neighbours', Heinrich Boell Foundation. URL: http://www.boell.pl/web/104-782.html

integration. At present, the impact of the European Union through the principle of "conditionality" on the Moldovan policy is quite effective. Off course, here a big role is played by Romania and it's diplomatic staff.

Georgia and Moldova adhere to the same point of view on the "Eastern Partnership", but are disappointed that the European Union ignores the interests of their security. In particular, the representatives of Georgia opine that the EU did not ensure the implementation of the truce in South Ossetia, which had been reached between French President Nicolas Sarkozy and Russian President Dmitry Medvedev. The impact of the European Union through the principle of "political conditionality" on Georgia's policy can be effective due to the fact that the Georgian leadership sees no other alternative but to integrate into Western structures.[155]

Armenia is satisfied with the "Eastern Partnership". Remaining deeply dependent on Russia and on its military support, Armenia has no serious ambitions for European integration, however, it believes that participation in this program can bring it economic benefits and diversification of international contacts, severely limited as a result of isolation on the part of Azerbaijan and Turkey. Visa liberalization is in Armenia one of the main priorities in the framework of "Eastern Partnership". The situation in Armenia is heavily dependent on the general situation in the region, in particular - from the policy of Turkey. Some experts believe that as long as the negotiations on Turkey's accession to the European Union will not resume at the proper level, the EU influence through the principle of "political conditionality" policy Caucasus countries will remain limited.[156]

Azerbaijan is one of the "Eastern Partnership" that is calmly, speaking for the principle of joint ownership and showing the main interest in economic issues (especially investment), energy, science and education and visa liberalization. The position of Azerbaijan is close to the position of Belarus. Azerbaijan also does not seek to actively participate in the multilateral dimension of the "Eastern Partnership" due to the unresolved conflict with Armenia. As Azerbaijan has no ambitions for European integration and the European Union needs the energy resources of Azerbaijan, the influence of the principle of "political conditionality" on the country's politics remains extremely low.

Belarus - is a special case. In the early 90-ies of XX century Belarus was sufficiently productive to develop its relations with the European structures, lost during the Soviet time, and the reemergence of the cooperation potential. In 1995, the European Union and the Republic of Belarus signed an agreement on partnership and cooperation (a Partnership and Cooperation Agreement, PCA), whose goal was political and economic rapprochement. However, in 1996 due to the deteriorating situation of human rights in the country, this Agreement has been suspended by the Council for General Affairs and External Relations of the European Union (General Affairs and External Relations Council, GAERC). In 1997, the same body decided to restrict the technical assistance to Belarus,

155 Jos Boonstra, Natalia Shapovalova, 'The EU's Eastern Partnership: One year backwards', FRIDE, 17.05.2010. URL: http://www.fride.org/publication/764/the-eu'-s-eastern-partnership:-one-year-backwards – accessed 20.09.2018

156 Jos Boonstra, Natalia Shapovalova, 'The EU's Eastern Partnership: One year backwards', FRIDE, 17.05.2010. URL: http://www.fride.org/publication/764/the-eu'-s-eastern-partnership:-one-year-backwards

humanitarian and regional projects directly supporting the democratization and the contacts with the Belarusian government to minimize.

That is why the inclusion of Belarus in the "Eastern Partnership" has been the subject of much discussion. The Belarusian government is interested in the "Eastern Partnership", especially from the economic point of view - to attract in the economy additional financial resources, and to strengthen the Belarusian independence from Russian and Belarusian regime itself within its country borders. Belarus is still a very limited part in the bilateral dimension of "Eastern Partnership", without having a full-fledged "action plan" within the framework of the European Neighborhood Policy. Jos Boonstra and Natalia Shapovalova believe that if the European Union will continue to ignore the objective Belarusian economic interests, causing all of the projects on cooperation of human rights topics, the Belarusian authorities can quickly lose interest in the projects. The impact of the European Union through the principle of "political conditionality" policy Belarus can become more effective if Belarus will be more involved in European economic processes.

The same authors believe that the European Union should promote free trade countries of "Eastern Partnership" with Russia, and to support its accession to the WTO, as well as help to combine Russian integration projects with the global free trade regime within WTO. In their opinion, the EU should unfreeze or conclude a new agreement with Belarus on the Partnership and Cooperation Agreement, which would create the basis for the development of bilateral relations. They cite the argument that the EU has concluded such agreements even with autocratic regimes in Central Asia, which are not included in the European Neighborhood Policy.

5.3. Future Multilateral Cooperation of The Eastern Partnership and implementation of joint projects.

Within the possibilities of "Eastern Partnership", member states can significantly strengthen relationships within the region and to improve the existing infrastructure. Eastern EU member states such as Lithuania and Poland, are actively making efforts to involve their eastern neighbors in cooperation with the EU, because they are interested in overcoming the consequences of the economic crisis through a more intensive economic cooperation. Belarus, which is due to the failure of the democratic reforms cannot fully participate in the ENP, in the case of "EaP" had to be limited to multilateral project until it changes its policies. Therefore, it is one of the most interested in joint cooperation.

September 9, 2010, Minister of Foreign Affairs of Belarus Sergei Martynov declared after a meeting with the Lithuanian and Ukrainian counterparts that the parties have agreed to modify in the near future a list of projects submitted last year for financing under the "Eastern Partnership". According to Sergei Martynov, there are now two lists of prioritized projects. Among them - the

development of infrastructure of pan-European transport corridors on the territory of Belarus (corridor №2 «Warsaw - Minsk - Moscow"), corridor №9 «B» («Klaipeda - Vilnius - Minsk - Kyiv"), the railway route "Viking" from Klaipeda to Odessa, investments in the railway line "Vilnius - Minsk" highway construction "Minsk - Kiev," the restoration of the Dnieper - Vistula - Oder, docking power system of the former USSR and the EU through the construction of new cross-border transmission lines, improving the environmental situation in transboundary river basins.

Member States of the "EaP" are interested in the modernization of the border infrastructure, law enforcement cooperation, cooperation in the field of trade and investment. Belarus is currently involved in the implementation of three EU Neighbourhood programs: "Poland - Ukraine - Belarus", "Latvia - Lithuania - Belarus", "Baltic Sea Region".

Multilateral cooperation in the framework of "Eastern Partnership" has made possible the implementation of transport projects in Belarus of oil from Venezuela. At the moment, the possibility of building a terminal for acceptance of the Belarusian liquefied gas (own or on equal footing with Lithuania), which is important for the diversification of energy supplies, which are now mainly carried out from Russia.

Most of the proposed projects are analyzed not only in terms of payback and profit, but also taking into account the position of Russia. For example, February 8, 2011 Ambassador of Belarus to Latvia Alexander Gerasimenko said that Belarusian authorities want to buy the pipeline "Polotsk - Ventspils" to ensure transportation of 5.7 million tons of Venezuelan oil to the refinery in Novopolotsk, annually. The pipeline belongs to the Latvian-Russian joint enterprise "LatRosTrans", where AO Ventspils nafta owns a stake of 66%, while the Russian operator of oil pipelines of JSC "Transnefteprodukt" - 34%[157]. As far as the concern "Belneftekhim", on 25 November 2010, LLC "LatRosTrans" started to drain the oil from the pipe and fill it with a mixture of gases, which could lead to the fact that the portion of the pipeline Polotsk - Ventspils will no longer be used for pumping oil. The conflict, according to a number of Belarusian experts, can testify the influence of the lobby of Russian oil companies, or the government, which consider it is not a profitable diversification of the Belarusian energy supplies.

Ongoing initiatives are also in regard to energy and transport corridor TRACECA (Transport Corridor Europe - Caucasus - Asia) and INOGATE (Interstate Oil and Gas Agreement). With the help of the EU TRACECA program would play a role in resolving the conflict in Nagorno Karabah[158] conducting a "step by step" policy, which was to establish a dialogue between the political leaders of the South Caucasus states, on technical cooperation.

157 “Консервация нефтепровода Вентспилс-Полоцк не означает его ликвидацию - ЛатРосТранс :: Бензин и горюче-смазочные материалы.,” www.benzol.ru, accessed August 16, 2021, http://www.benzol.ru/news/newsone.php?id=137892.

158 Irina Bolgova. Eastern policy of the European Union: development of contradictions. - Eastern Europe. Prospects, №1, 2011

A separate area of the industrial development of the region can become the projects for trans-Eurasian transport and energy routes, which are able to form the basis of a common political agenda of the countries of Central and Eastern Europe.

December 13, 2010 in Brussels, Belarus has proposed to organize, in the framework of "Eastern Partnership" the Easter Forum development. The Belarusian delegation proposed to merge the Forum all interested companies, associations and government agencies. Minister of Foreign Affairs of Belarus Sergei Martynov also sided for strengthening multilateral cooperation component of the project "Eastern Partnership". One of the proposed project involves the construction of a transmission line "Ross - Bialystok - Narev" DC link. Belarus is also considering the possibility of involvement of the EaP in the framework of European investors for the construction of gas storage facility in Mozyr.

Officials from Kiev in summer 2009 took the initiative to create a certain "center of gravity" for the deepening of cooperation for the strengthening of security in the regional context, Ukraine has declared its readiness to assist as a regional leader, to integrate services into the economic space of the European Union of Belarus and the involvement in it of other post-Soviet countries, primarily Kazakhstan (the so-called Kyiv initiative). Specifically, we are talking about the projects delivered in Poland and Belarus (and further transit to third countries) for Ukrainian electricity. Moreover, Kiev believes that the geopolitical situation of Ukraine, Belarus and Poland allows these countries to be together as active players in the issues related to the transit of electricity on the European markets of Russia, the Black Sea-Caspian region and Central Asia. In particular, in the framework of the Euro-Asian Oil Transport Corridor project Belarus has recently implemented a trial supplies of Venezuelan oil through swap contracts with Azerbaijan on the route "Odessa - Brody". April 13, 2011 Poland has confirmed its interest in the completion of the oil pipeline Odessa - Brody to Polotsk and in the future - to Gdansk.[159]

In perspective, there is a considered project to establish an international transport corridor Baltic Sea - Black Sea. This project was last updated in May 2008 through the signing of Belarus, Ukraine and Lithuania, a tripartite agreement on the development of transportation in the direction of the Baltic Sea - Black Sea. This corridor provides a connection of transport by land through Minsk two ports - Ilyichevsk on the Black Sea and Klaipeda on the Baltic. Pilot regional development programs should help smooth out economic and social disparities between the different regions of partner countries. The money is to be allocated to projects for the development of local infrastructure, small and medium-sized businesses, human capital12.

In general, it should be noted that multilateral cooperation more actively developed among Moldova, Belarus, Ukraine and its European neighbors, Lithuania and Poland, as they have no stable territorial claims to each other (except for the dispute over the ratification of the agreement on the demarcation of the Belarusian-Ukrainian border) . At the same time in the South Caucasus

159 Elibrary.ru, 2021, http://elibrary.ru/download/47725350.pdf.

more productively developing cooperation between Georgia and Azerbaijan, while Armenia is largely isolated. With the help of Azerbaijan, Georgia is strengthening its energy security and reduce dependence on Russia. For Georgia, Azerbaijan is a strategic ally that is enshrined in the Georgian doctrinal documents.[160] Moreover, in 2010, Georgian President Mikheil Saakashvili called on Azerbaijan to form a confederation of two states.

According to experts, Tbilisi, Baku and Ankara have recently carried out an active policy of rapprochement. At the same time, Yerevan is trying in every way to prevent the implementation of a number of regional projects as Baku due to unresolved territorial disputes and to ensure the safety insisted that all projects were not in Armenia, and in Georgia.

Among the major multilateral projects - developing the initiative "Southern Corridor", the construction of Nabucco gas pipeline 3,300 kilometers from Turkmenistan and Azerbaijan via Turkey to the EU, as well as White Stream, which was to become a major energy project GUAM. White Stream envisages pumping gas from the Azerbaijani field "Shah Deniz" through Georgia via the Black Sea to Ukraine and EU countries. One of the main projects have also become the pipeline "Baku - Tbilisi - Ceyhan" and "Baku - Tbilisi - Erzurum gas pipeline."

September 14, 2010 in Baku state energy companies of Azerbaijan, Georgia and Romania signed a memorandum of understanding to start the project of interconnection of the Azerbaijan-Georgia-Romania (AGRI) 15. Two EU member states - Romania and Hungary - have joined forces with Azerbaijan and Georgia around a project to ship liquefied Azeri gas to their region. According to reports, the project is designed to transport Azerbaijani gas by pipeline to the Black Sea port in Georgia for liquefaction. Further transport will take place via tanker to the Romanian Black Sea port of Constanta.

In early October 2010 the Azerbaijani and Georgian sides signed a memorandum on cooperation between the energy systems of the two countries, which provides for the restoration of Azerbaijan-Georgia high-voltage connector. With the accession of the Azerbaijani side to the Georgian-Turkish high-voltage trunk will be possible to export electricity to Turkey and further to Europe. Georgia highly aiming to attracting Azerbaijani investments in the construction of power transmission lines of high voltage, as well as in the implementation of design and enact power small and medium capacities.[161] On February 16, 2011 officials stated that Georgia conducts negotiations with Azerbaijan on the construction of an oil refinery. Azerbaijani companies have committed to gasification of rural eastern Georgia.[162] And recently, the parties agreed to establish a joint commission for the implementation of transport, including with the use of the railway "Baku - Kars". March 16, 2011 it was reported that the car-repair plant Ukrainian city Kryukov and Tbilisi

160 “Кавказская политика Грузии: сегодняшние процессы и ожидаемые перспективы,” kavkasia.net, accessed August 16, 2021, http://kavkasia.net/Georgia/article/1299629524.php.

161 “Грузино-азербайджанская конфедерация,” www.ng.ru, accessed August 16, 2021, http://www.ng.ru/cis/2010-07-20/1_gruzia_azer.html.

162 Ibid.

electric plant are in talks about a joint project of regional scale, which will be rolling on the railway route Baku-Tbilisi-Kars.

On October 26, 2010, the marine enterprises of Ukraine, Bulgaria and Turkey, the European Union offered to include in the MTC TRASEKA (international transport corridor "Europe - Caucasus - Asia") the following projects: the development of container traffic through the road-rail ferry Bulgaria, Ukraine, Georgia; launch of a new rail-ferry on the Black Sea from the port of Odessa - the port of Samsun - ports of Georgia.

The policy expansion of Western influenced the region, Russia has tried to counter North-South corridor, which would connect Russia, Georgia, Armenia and Iran. However, the program still has not been a proper degree of realization through the Directorate for the construction of the railway, which will connect Armenia and Iran, has already started work in Yerevan. While the railway of Armenia has only access to the Black Sea - through the territory of Georgia. Georgia itself, in case of successful realization of the project, will get through Armenia access to the Persian Gulf and another access to the Caspian Sea (to the existing through the territory of Azerbaijan).

Influence of rotational presidency of the EU Council of the mechanism for the development of multilateral cooperation within the Eastern Partnership.

Olga Butorina highlights in the European Union four groups of countries that do not only move toward integration at different speeds, but also set themselves the goal of the various movements. Bulgaria, Romania and candidate countries expect to complete industrialization, improve the social and technological infrastructure. Central European countries are in need of industrial upgrading. Slovenia and the countries of the European Mediterranean are considered as a priority for the development of knowledge-intensive industries, national research and development and the information society. At the same time eleven leading EU countries are seeking to develop a knowledge society, while maintaining the existing social standards and ensuring stable economic growth. Various development priorities fundamentally affect the difference of positions on the European agenda.[163]

Thus, according to N.Y. Kaveshnikov, there is the phenomenon of "differentiation" of the European Union, accompanied by the formation of Europe's process of "changing geometry". EU members belonging to Central and Eastern Europe, there is still limited in comparison with the "old" EU member states rights, because they are not willing to accept the "newcomers" as equal partners. It is logical that in such a situation develops practice closer coordination of positions between the major countries, as well as among small EU countries to better protect their interests in the European Union.

Since the EU countries differ in determining which direction the European Neighborhood

147 “Інвестиції та Іновації Archives,” Морські бізнес-новини України, accessed August 16, 2021, https://maritimebusinessnews.com.ua/category/investments-innovations/.

Policy is a priority, then it is likely that the attention of the European Union to the project of the Mediterranean Union and Eastern Partnership will switch depending on what kind of country will hold the presidency of the European Union.[164]

The most active supporters of the integration of post-Soviet countries in European processes are mainly countries of the Visegrad Group and the Baltic states that joined the EU in May 2004. These countries are still wary of the recovery of the dominant Russian influence in the region, and therefore interested in the existence of a "buffer zone" between friendly states and a Russia.[165]

The founding summit of the "Eastern Partnership" was held in Prague on 7 May 2009, but the period of its presidency of the EU Council (first half 2009), the Czech Republic faces a serious problem in the implementation of the "Eastern Partnership" - the global economic crisis, which is not allowed to allocate to the project additional finances.

Despite the fact that Sweden was one of the two main initiators of the "Eastern Partnership", the theme of the project is almost absent from the agenda of the Swedish presidency of the Council of the European Union (second half 2009). According to the authors, this is due to the fact that the part of Sweden's major role in the initiation of the project to recoup the Ministry of Foreign Affairs, while the Prime Minister and the Swedish elite reacted to the project without much enthusiasm. Thus, the "Eastern Partnership" has lost many of the benefits that could have been achieved during the Swedish Presidency.

Spain expressed its intention to fully support the "Eastern Partnership" during its Presidency of the Council of the European Union in the first half of 2010, but a breakthrough in the implementation of the program led to no avail - in particular, because the Parliamentary Assembly of the Eastern Partnership (EURO -NEST) never met. But in May 24, 2010 in Sopot an informal summit of foreign ministers of the "Eastern Partnership", was initiated by just Spain and Poland. It was decided to create a "Group of Friends" of the Eastern Partnership.

Thus, the rotating presidency mechanism allows different set foreign policy priorities, even after the entry into force of the Lisbon Treaty, EU foreign policy must be more balanced and harmonious. For example, the priorities of the Hungarian presidency at the beginning of 2011 have also inherited the idea of the previous chairmen (Spain and Belgium). The Lisbon Treaty legalized the so-called Troika chairman who is now obliged to prepare the 18-month presidency program. This program consists of two parts: a strategic part, which summarizes the main policy objectives, and the operating part, which is developing the first part is already in detail and measures to be conducted.

164 Nikolay Kaveshnikov, "Transformation of Party and Political Space of the European Union and Its Influence on the Organization and Functioning of the European Parliament," *Contemporary Europe* 2, no. 95 (April 1, 2020): 163–75, https://doi.org/10.15211/soveurope22020163175.

165 Anna V. Chernova, "POLAND'S 'EASTERN POLICY': FROM 'UKRAINE, LITHUANIA, BELARUS' to the 'EASTERN PARTNERSHIP,'" *MGIMO Review of International Relations*, no. 6(33) (December 28, 2013): 15–24, https://doi.org/10.24833/2071-8160-2013-6-33-15-24.

Paul Sveboda sumarized that Poland might apply a symbolic example of other EU countries, independently running any new program of support for the countries of the "Eastern Partnership". In particular, from 1 January 2011 unilaterally canceled Poland Belarus fee for the issuance of long-term national visas (over 90 days of stay) .[166]

The effectiveness of "political conditionality". Almost all the authors agree that the European Union is to improve the effectiveness of this principle is to significantly increase the amount of support of the project and to offer additional benefits to those countries that are most actively involved in the implementation of reforms, like Ukraine and Georgia. "Conditionality" principle in the case of its application must be strictly adhered to, not allowing to declare double standards in its use. In particular, a number of authors give the example of visa liberalization for the Balkan countries, where safety standards are not higher than in the "Eastern Partnership" countries.[167] However, the latter have to hope for such liberalization only in the distant future.

Perhaps, without exception, the authors write that the prospect of EU membership at times increases the effectiveness of the principle of 'conditionality' and interested partner countries in reforms. So, before the European Union it is necessary to decide in principle on the issue of possible membership of the member countries of "Eastern Partnership".[168] Even taking into account the "fatigue" of the EU enlargement process, the mere possibility of membership of other states in the European Union as a principle must always remain. Although some of the researchers opine, believing that the "Eastern Partnership" as part of the European Neighbourhood Policy should be only as close as possible to the EU partner countries in the political, economic, social and cultural terms, closing at the same time the possibility of membership.

Additional funding. Most authors agree that the existing funding for the development of "Eastern Partnership" is clearly not enough.[169] For many countries, the reform of institutions price exceeds the benefits that they would get in return, that casts doubt on the need for reform. It emphasizes the need for greater coordination between the European Union and international financial institutions, which could invest in the project. Nicu Popescu writes that the EU could use its international authority and voice in international organizations in order to attract investments in the member countries of "Eastern Partnership" and provide them with macroeconomic aid.[170] At the same time frame and institutional and procedural issues relating to the project to attract new partners and funding remain unexamined.

It is also proposed to create a joint fund between the European Union and partner countries

166 Sebastian Schäffer, “” (, 2010), http://www.cap.lmu.de/download/2010/CAPerspectives-2010-02.pdf.
167 FRIDE, 'The future of the Eastern Partnership: Challenges and Opportunities', 24.02.2010. URL: http://www.fride.org/publication/726/the-future-of-the-eastern-partnership:-challenges-and-opportunities
168 Kerry Longhurst, Susanne Nies, ‘Recasting relations with the Neighbours – Prospects for the Eastern Partnership’, IFRI, 02.2009. URL: http://www.ifri.org/files/Europe_visions/Europe_Visions_4.pdf
169“Home — Zentrum Für Europäische Integrationsforschung,” www.zei.uni-bonn.de, accessed August 16, 2021, http://www.zei.de/download/zei_dp/dp_c158Marchetti.pdf.
170 Nicu Popescu, ‘The Eastern Partnership in crisis’, EUobserver.com, 24.03.2009 . URL: http://blogs.euobserver.com/popescu/2009/03/24/the-eastern-partnership-in-crisis/

in order to attract additional funding for multilateral projects. Thus, Azerbaijan has made a willingness to invest their own financial resources in the regional projects of interest to the Azerbaijani economy. In general, the countries of the "Eastern Partnership" aim long-term benefits such as visa liberalization and free access to the EU market, are too distant prospect, and the EU would be worth an additional offer short-term benefits of the country of reform.[171]

Separately, it should be noted that the budget of the European Union typeset just seven years, and once the budget for the current period expired in 2013, the member countries of the EU, supporting the program "Eastern Partnership" should now strive to make available a much larger amount of funding "EaP" the next budget period from 2014 to 2020. The budget for this instrument voted in 2014 is 15.4 bilions euro, in the context of the Ukrainian conflict.[172]

Promotion of economic modernization. This will allow the market economy and liberal values be strengthened for the member countries of "Eastern Partnership" which will bring them closer to the European Union and brought together with each other. This goal can be achieved through the development of entrepreneurial skills, provide improved access to capital, the promotion of small and medium-sized businesses, especially cross-border. In particular, it is necessary to liberalize the entrepreneurial initiative by getting rid of excessive regulation of activity in the field of business and investment - such a program could be implemented by the European Commission together with the World Bank project "Doing Business".[173] The modernization and energy transit infrastructure, joint projects for the development of shale gas and launch of the satellite. Creating innovation incubators, training for specialists from different fields, including civil servants.

Enhancing the role of civil society. Particular attention is paid to enhancing the role of civil society in the "Eastern Partnership" countries, including by means of strengthening the Civil Society Forum. Some authors believe that the European Union has to listen more to civil society even in the implementation of interstate projects in the framework of the "CAP", as well as to strengthen the provision of direct financial support for civil society structures in the partner countries.

Constanze Stelzenmüller believes that the EU policy on the protection of democratic values and human rights is extremely important, and the main resource of the European Union's foreign policy is based on its attractiveness as a political community, which supports peaceful coexistence, welfare and personal development. Therefore, cooperation agreements concluded with the Governments of the member countries of "Eastern Partnership" should include additional agreement on strengthening civil society and cross-border cooperation of NGOs and Civil Society Forum

171 FRIDE, 'The future of the Eastern Partnership: Challenges and Opportunities', 24.02.2010. URL: http://www.fride.org/publication/726/the-future-of-the-eastern-partnership:-challenges-and-opportunities

172 "European Neighbourhood Policy (ENP)," EEAS - European External Action Service - European Commission, 2021, http://eeas.europa.eu/enp/how-is-it-financed/index_en.htm.

173 "Demos in Europa," Demos in Europa, accessed August 16, 2021, http://www.demoseuropa.eu/index.php?option=com_content&view=article&id=525&Itemid=95.

should acquire political functions.

However, the European Union should not forget about establishing contacts with representatives of the bureaucracy and the business of member countries "VP", because at the moment social ties with these groups in a number of countries (eg, Belarus) is a very nizkoy9 and political seti10 - weak, that prevents spending "socialization" regimes on European models.

Security. A special focus is on security issues. For example, Katinka Barysh believes that the European Union must redouble its efforts to involve the countries of the "Eastern Partnership" in the orbit of its influence.[174] She was echoed by those who proposes to establish an analogue of the NATO program "Partnership for Peace" in order to support in the field of defense and security reforms. They believe that the EU, in contrast to Turkey and Russia, could act as a neutral player, politically not interested in resolving local conflicts in one's favor, and to strengthen the overall regional stability. For example, Paul Sveboda proposes to create a special component of "Eastern Partnership"[175], focused on the area of foreign and security policy, under which will assist the resolution of frozen conflicts (particularly in Transnistria and Nagorno-Karabakh).

Constanze Stelzenmüller connects with this also the possibility of the involvement of the separatist territories in multilateral projects to support democratic reforms. However, she believes that it must be firmly uphold the principles of territorial integrity, and in this case, will create a situation of "non-zero sum games" in which everyone wins. In the same vein, I think those who believe that participation in the multilateral thematic platforms of the "EaP" will help to overcome bilateral tensions between the countries. However, Jos Boonstra and Natalia Shapovalova believe that security issues that affect the conflicting countries such as Azerbaijan and Armenia should be excluded from the agenda of the thematic platforms for the purpose of the stability of the "Eastern Partnership"[176].

Mobility and education. As for the dilemma of "mobility - border security," there suggestions to apply the principle of 'conditionality' and here - the partner countries in this case would receive a degree of mobility (labor, capital, etc.), which reflects the level they have achieved safety and control movement. Accordingly, the phrase "the abolition of visas in the long term" should be replaced by a well-defined period of time within which the visa cancellation may take place if the partner countries will demonstrate reasonable efforts to ensure the required level of security. It is also alleged that the European Union could implement visa liberalization for a number of social groups (students, scholars, journalists, creative people) quickly and without bureaucratic difficulties in the very near future. It is emphasized that the EU should not cancel the visa regime with Russia before it will make in regard to "EaP" countries, otherwise it may create a situation where the people of Abkhazia and South Ossetia (having Russian passports) will receive tangible benefits as

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174 Strezhneva MV Theories of European integration. Bulletin of Moscow University. Series 25. International Relations and World Politics. 2009. № 1. S.

175 Katinka Barysch, 'Who is winning Eastern Europe's great game?', Centre for European Reform, 19.07.2010. URL: http://centreforeuropeanreform.blogspot.com/2010/07/who-is-winning-eastern-europes-great.html

176 Constanze Stelzenmüller, 'Walk and Chew Gum', IPglobal, September 2010. URL: http://www.ip-global.org/archiv/volumes/volume-11-2010/eastern-approaches/walk-and-chew-gum.html

compared to the citizens of Georgia.

Frederick Ferrier is in favor of an active information campaign which would help EU countries to learn more about their "eastern neighbors"[177], and the population of "eastern neighbors" - to get an idea of the European idea and its significance. Among European writers there is a widespread belief that reforms in the member countries of the "Eastern Partnership" can drag on for years, and to save time, it is necessary to develop long-term educational programs for young people from the "VP" countries with a view to forming a new generation, sharing European values. To do this, you can extend the action programs such as "Erasmus", hold seminars, internships and competitions for research grants.

Combining the research from centers dealing with the problems of the "Eastern Partnership" and European politics, in order to develop a clear concept, which allows to plan the transition of the Member States of the "EaP" to the European standards and their subsequent entry into the European Union.

Strengthening of international cooperation. "Eastern Partnership" to be developed in parallel with the forum of the Black Sea (Black Sea Synergy) and the Northern Dimension (Northern Dimension). Not less important is the support of the project by various international actors. It is argued that the new "Ostpolitik" of the EU towards its neighbors can be successful only if it is overcome the division between countries preferring friendly relations with Russia (Germany, France, Italy), and those who stand at a critical position in with respect to its influence on the former Soviet Union (Poland, Latvia, Estonia).

Some authors tend to emphasize the position of Germany, which could become the locomotive of the new "Ostpolitik", given its close contacts with Moscow. Of course, the positions of Sweden and Poland should remain firm, the latter would promote the "Eastern Partnership" among the countries of the Visegrad Group (the Czech Republic, Hungary, Slovakia), and try to bring Belarus and Ukraine to the European Union, to enable a better understanding of the European Union Eastern Europe and the importance of this region. It emphasized the need to reach consensus on the implementation of the European common policy with regard to neighboring countries without separation of EU member states on those who support the "Eastern Partnership", and those who are closer to the Mediterranean Union. In addition, many civil organizations in Ukraine and Eastern Europe believe that the most successful EU foreign policy in the post-Soviet space, will be able to implement if the United States will actively support it.

In the opinion of FRIDE sounded during the conference in Madrid that the "EaP" must be based more on the principle of “engagement” (inclusiveness), than competitivity. Hence the desire of a number of authors emphasize the importance of attracting to the "Eastern Partnership" of

177 Frederik Ferié, 'Eastern Partnership - The Liberal Approach: Positions and Tools', International Federation of Liberal Youth. “”, Alde-pace.org, 2021, http://www.alde-pace.org/_uploads/1273231857_Conclusions_from_Thematic_Platform_IV._Contacts_between_people.pdf.

Turkey and Russia.

Turkey plays an important role for the development of cooperation in the Black Sea region, and also has a great influence on the South Caucasus region. The key importance of Russia in Eastern Europe could determine the future of a large number of multilateral projects, and therefore it is desirable to bring this country to the implementation of an increasing number of regional initiatives. It is necessary and in order to persuade Russia not directed at the "Eastern Partnership" against its interests. Michael Emerson offers even initiate a political dialogue "EU - Russia - Ukraine" to smooth the friction between the two countries, as well as to Russia to understand that European Ukraine - this is a step towards strengthening relations between Russia and the EU, which is so necessary for it to modernize . Among other things, Poland offers to form a "circle of friends of the EP", which could include countries such as Norway, Canada and Japan.

Present state of the Eastern Partnership – targets and line of action

The Eastern Partnership suffered some alterations in ideology from its founding. The evolution of the EaP as seen above had to adapt to a new dimension, the war in Ukraine, specifically the Donbas conflict since 2014. If at that time provoked the Russian side, now it became the only option for the Ukrainian line of action, be it political or economic.

Before the EaP summit in Brussels in 2017, the European Commission and the European External Action Service (EEAS) published the 20 targets for 2020, a set of specific targets to achieve measurable results and improve people's living conditions in four policy priority areas - economy, Governance, connectivity and society - along with goals for cross-cutting issues such as gender equality, civil society, media and strategic communication. In addition, the ÖstP supports global political goals such as the UN Sustainable Development Goals for 2030 and the Paris Agreement on Climate Change. In 2018 the Commission and the EEAS reviewed the 20 targets for 2020. The table below assess exactly the EU conclusions (the table is exactly the one the European Union made):

Figure 29.*"Review of the 2020 EaP deliverables*

Table 1: Review of the 2020 EaP deliverables

Category	Achievements	What needs to be done?
Stronger economy	Trade between all partner countries and the EU has increased since 2016: by 15 % with Armenia, 17 % with Azerbaijan, 19 % with Belarus, 6 % with Georgia, 20 % with Moldova, 24 % with Ukraine. Regional roaming agreement to be signed in 2020.	Ensuring that commitments to harmonise digital markets are effectively implemented. Strengthening intra-regional trade.
Stronger governance	E-asset declaration systems set up in Armenia, Georgia, Moldova and Ukraine. Improved civil service laws have paved the way towards a more depoliticised civil service in Armenia, Azerbaijan, Georgia, Moldova and Ukraine.	Strengthening the rule of law. Implementing key judicial reforms, reinforcing public administration. Boosting security cooperation, notably to tackle organised crime, support conflict resolution, and counter new cybersecurity threats.
Stronger connectivity	The indicative TEN-T investment action plan foresees building 5 500 km of roads and railways by 2020 and 4 600 km more by 2030. The inauguration of the Azerbaijan–Georgia section of the Southern Gas Corridor has increased energy security. Energy efficiency initiatives launched jointly by the EU and international financial institutions have resulted in better legislation and in investment aimed at lowering energy bills and establishing better standards accessible to more people, municipalities and SMEs.	Further reducing CO_2 emissions and carrying out effective national emissions monitoring. Increasing biodiversity protection and sustainable forestry.
Stronger society	First EaP European School in Tbilisi. Over 30 000 young people have participated in the Erasmus+ programme since 2014. EU4Youth supports the employability and entrepreneurship of 23 000 young people in the partner countries. Some 200 young European ambassadors are fostering cooperation with youth organisations across the EU/EaP. All partner countries have full access to the Horizon 2020 programme.	Continued monitoring of the progress of mobility partnerships. Improving quality and relevance of education systems, modernising teaching methods and reinforcing employability of graduates.
Cross-cutting issues	Positive view of EU: trust in the EU is high, with 58 % of citizens in May 2019 viewing the EU as the most trustworthy foreign institution, slightly down from 61 % in 2018 (see box in section 1.2)	Enabling environment for civil society. Support for media pluralism and independence. Ensuring gender equality and non-discrimination.

Source*: European Comission, Eastern Partnership 3.0, EPRS | European Parliamentary Research Service Authors: Naja Bentzen and Jakub Przetacznik Members' Research Service PE 651.966 – June 2020*

In connection with the 10th anniversary of the EaP, which was celebrated in Brussels in June 2019, the European Council mandated the Commission and the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy (the High Representative) to set a number of long-term policy objectives for the period after 2020 to be submitted before the next Eastern Partnership Summit in June 2020. In her mandate letter to the Commissioner for Neighborhood and Enlargement, Olivér Várhelyi, Commission President Ursula von der Leyen asked him to submit new long-term policy goals for the Eastern Partnership by mid-2020.

Building on the results of a consultation on the future of the Eastern Partnership opened by the Commission in May 2019 and endorsed by the European Council in June 2019, the Commission and the High Representative adopted a new proposal for the post-2020 Eastern European Union on 18 March 2020 Consultation had shown that all partner countries were interested in adapting the partnership to their individual needs and circumstances. While associated countries wanted to participate in joint initiatives related to their AA and DCFTA, the goals of the non-associated countries may differ. With such a tailor-made approach, the implementation of bilateral agreements would be accelerated and supplemented by deeper sectoral cooperation and exchange between the interested partner countries.

The proposal aims to boost trade, improve connectivity and deepen economic integration with the EaP countries, while strengthening democratic institutions, the rule of law, ecological and climate resilience, while supporting digital transformation and providing fair and promote inclusive societies. The main focus is on strengthening resilience in line with the 2017 EU External Action Strategic Resilience Approach. In addition to the cross-cutting objectives of gender equality, civil society, media and strategic communication, the main policy objectives are:

a) "Together for resilient, sustainable and integrated economies"

These policy goals are aimed at strengthening national economies, reducing inequalities and making partner countries places “where people want to build their future”. Growing trade, deeper economic integration and investments in SMEs, connectivity and the opportunities that arise from the ongoing ecological and digital transformation are intended to achieve the goal of creating an attractive business environment with sustainable jobs and economic opportunities, prosperity made possible for everyone. The main target sectors for economic development are energy, transport and the environment.

b) "Together for Accountable Institutions, Rule of Law and Security"

In the context of these policy objectives, the proposal highlights good governance and democratic institutions, the rule of law, anti-corruption policies, the fight against organized crime, respect for human rights and security, including support for conflict-affected populations as building blocks for resilient states and societies and key factors for a functioning one Market economy and sustainable

growth. The rule of law is seen as a key element for an effective business climate as well as for foreign direct investment. The proposal calls for a renewed commitment to the foundations of the partnership and an improved measurement of the results, the impact of the reforms and how people perceive these reforms.

c) "Together for ecological and climate resilience"

Ecological and climate challenges are given high priority. While the EU grants the investment restrictions, it helps partner countries to fulfill their contributions to the Paris Agreement and to modernize their economies, to reduce their carbon footprint and to embark on the path towards climate neutrality. The EU will help to improve energy security in the region and the energy efficiency of buildings, and support the development of renewable energy sources and the modernization of the health sector.

d) "Together for a resilient digital transformation"

The proposal highlights a strong digital presence in the EU's neighboring countries as a key driver for growth and sustainable development. Therefore, the EU will invest more in the digital transformation of the EaP countries and support the expansion of innovative digital startups in line with EU legislation and best practices. The EU will also support and contribute to cyber defense capabilities in the region.

e) "Together for resilient, fair and inclusive societies"

The proposal states that free and fair elections and transparent, citizen-friendly and accountable public administrations are essential to democracy. Further key factors for resilient, fair, inclusive and democratic societies, with correspondingly high priority, are a committed civil society, free, pluralistic and independent media and the protection of the rights of citizens (including minorities).

Conclusions

My thesis is willing to be a radiography of the evolution of the Russian Federation’s position in the former Soviet-Union space, specifically the Commonwealth of Independent States, between 2000-2019. The process of economic disintegration of a former supranational political and economic space and the transformation of it into several other integrative structures is complex and gave birth to a number of changes in the balance of global powers. In the middle of the transformation process following the dissolution of USSR is the Russian Federation, whose role and position is obvious the one of the leader in the region.

Due to the length and complexity of this process, I have chosen to focus my analysis on Russia's position in connection to the Community of Independent States and, as a case study, on the particular relations of Russia with Ukraine and the Republic of Moldova, including the ones within the Eastern Partnership.

The realities stated above are in good concordance with the questions and foreseeings of Edward Luttwak, although some of the issues explored in his writings are subject of criticism, the reality is that Russia managed through its geoeconomic influence factors, to shape a new era in foreign relations. The bipolar world that dissapeared after the fall of the USSR opened the road to multipolar reality where Russia maintained its influence, where it has succeded, through pure economics. This shows, like in the acception of Luttwak, that military is no longer of much use, and recent conflicts showed us – Donbass or Transnistria, that the rationality of economics have more effect than military interventions. In both cases, Ukraine and Republic of Moldova, the still opened conflicts, didn't enabled or favour a closer relation to Russian Federation – but the contrary. Both countries that where formally tied to the Russian space, ended siding the European Union through formalized agreements, The Association Agreements. Although, steps for stabilization are being made, the situation is still frail – this is an important and a honest thing to mention. The structure of both economies changed, and like Luttwak said, undeveloped countries are a source of raw materials, and not a source of end products with high added value.

Aside the theoretical and political aspects of the former soviet space, the structure of the former soviet republics changed in the the decades 2000-2020. In some cases – like Azerbaidjan and Kazahstan – we can certainly say that this was an evolution. This evolution made the two countries, the performers of Central Asia. This trend in Central Asia is mostly because of the energy politics and the wise path of economic stability achieved through economics. The gas and petroleum products are the maine economic produces of the two countries which managed to develop over the 20 years period that is analysed in our study. The two countries achieved a good level of market penetration within the European Union with two national companies SOCAR and KazMunayGaz, this is a real performance for two, former undeveloped countries, with historic ties with the Russian space. Needless to say, that this two countries are regarded, like points of stability for European energy strategies.

Central Asia is usually regarded like a powerful emergent region, because of the resource play, through petroleum and gas products. This emergence may be healthy, if in future sustainable economic development will take place, but at his moment, Central Asia is not centred towards a sustainable development. To the west of the former Soviet space, and bordering the European Union, we have some troublesome countries, which fell in disarray after the fall of the Iron Curtain and the Eastern Block – the countries in cause are Belarus, Ukraine and Moldova. We will refer in mostly in the following paragraph to the last two Ukraine and Moldova which took a complicated path towards the West – signing the association agreements with the European Union. Both Ukraine and Republic of Moldova have cultural and traditional ties ties with the Russian Federation, but they also have one thing in common – open conflicts within their territories. A secessionist Transnistrian Republic in Moldova and Donbass Republic in Ukraine.

When talking about the Republic of Moldova, the economic aspects, are usually minimized because of the small role in either CIS statistics or European ones. The path choosed after a lot of

political tumult, although not efficient in terms of economy, Moldova is heading west, towards the EU. As a mainly agrarian country, Moldova was hard hit by Russian economic sanctions which materialized with export ban for pork and agro food. This threw Moldova in an undesired scenario – not accepted on the EU market because of conformity aspects, and banned in Russia for export. Learning the hard lesson of economic instability, Moldova headed west to the European Union which finalized the Moldovan struggle with an Association Agreement. The trend in the economic development of the Moldovan Republic, from and industrialized compound east of the Dniester river, and local industry centers, turned to almost a totally agrarian country, with low value added products like fruits and vegetables and meat. This trend is forced by the negotiations that took place after the AA signing.

The case of Ukraine although similar to that of Republic of Moldova, has dramatic changes in the course of economic development. Ukraine was a powerful industrialized soviet republic, renowned for aerospatial industry, metallurgy and mining facilities which exported most of its products to the Soviet Union and later to the Russian Federation. The close economic ties were kept until the year 2008 when the "Orange Revolution" took place and paved the way for economic instability and at odds relations with Russia. This affected the economy and split the country in half – again, an eastern developed region because of industry and a central and western region that was kept alive by resources like timber and agriculture. As in 2008, Russian Federation was the main destination for Ukrainian industrial products, and this was the time when it faced the first signs of decline. The progression from 2008 to 2019 is clearly seen in the chapter of this study. Although we are tempted to analysis the hard numbers and statistics we need to correlate with political climate of Ukraine. The sharpest decline in statistics and the second part of the crisis came after the 2014 Donbass conflict and the annexation of Crimeea. This time Ukraine followed the path of the Moldovan Republic. Without anymore markets left in Russia for its industrial products turned slowly with a lot of obstacles towards the European Union. Again the structural economy was changed – from industrial products that used to be the backbone of the Ukrainian economy started to be a more developed agragrian economy, taking advantage of the huge amount of farmlands that are to be found in Ukraine. The food businesses where among the most favoured by foreign direct investment from the European Union. Nowadays, after the AA was signed, Ukraine is trying to first achieve a stable politic format in order to start a transformation process which will benefit its new economic reorientation.

If we are to consider the actual trends of the former soviet space, the economic situation would be at best, considered stable but frail. The different trends in economic thinking and reorientation take us again to Luttwak and Lorot writings about the influence of the geoeconomics. The geographic particularities, like in the case of Russia, determine the economic orientation of the countries in general, and the post soviet space makes no different scenario. Countries which are bordering the European Union, especially Ukraine and Republic of Moldova, are now responding to the needs of the western markets. The exports towards this western markets are different in structure and are under a very dynamic economic transformation. Along with western economic actors which start to bring investments with their economic activity, the transformation process is taking place, associating new developing markets to the EU economic potential.

An important factor of this transformation of Eastern Europe, was and is, the Eastern Partnership. Founded by the European Union, we can say it reached it goal. – an antechamber of the

European Union for the former soviet space members. A cold analysis could claim that the goal of signing the AA for Ukraine and Republic of Moldova is sufficient and is huge victory in either economics or politics for the EU bloc, which is in need of further economic influence spheres. As an economic instrument, The Eastern Partnership, is not yet clear what role it had for the two countries, specifically because the AA are still relatively new, and the recent covid19 pandemic added some extra hurdles to the economic transformation of the two countries. For now we can assume that this formal framework, that of the AA, is a path for deep economic and societal reform.

In the next decade, the formation of separate regions will continue in the space of the former USSR: Eastern Europe (Belarus, Moldova, Ukraine); South Caucasus (Azerbaijan, Armenia, Georgia and Abkhazia and South Ossetia standing apart), Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan).

Despite significant cross-country differences, states within each of these regions have a certain set of common features of the economy, politics, and culture; at the same time, in the process of the gradual departure of generations who kept the memory of a single state, the "distance" between the regions will increase.

In this context, the Russian Federation occupies a special position as a trans-regional Euro-Pacific country. Directly bordering all the mentioned above regions and being more or less closely related to each of them, both economically and politically, Russia will continue, in the 2020s to increase its efforts aimed at forming an independent “center of power” in northern Eurasia .

Relying on allies and partners among the CIS countries, Moscow intends to strengthen its position in relation to geopolitical competitors - the European Union and United States in the west and China and India in the east.

Thus, in the foreseeable future, the CIS countries as a regional direction of the foreign policy of the Russian Federation will remain of great importance for Moscow but the nature of relations between Russia and the independent states that emerged as a result of the collapse of the Soviet Union will change. Of course, the geographical proximity and, in some cases, the ethnic and cultural communities, close historical ties, especially during the existence of the Russian Empire and the Soviet Union, will give these relations a special character.

Nevertheless, in the “third ten” of the separate existence of the Russian Federation and the former border republics, this “specialness” will continue to diminish. As a result, most of the CIS states, which today are psychologically perceived by many Russians as separate from Russia, but not entirely "foreign", will gradually move into the category of foreign states, as has already happened with the Baltic countries belonging now to the European Union.

Of course, some CIS countries - first of all Belarus, as well as Ukraine (especially its east and south regions) - will be perceived by the majority of the Russian population as closer than, for example, Poland or Slovakia. On the other hand, the states of Transcaucasia and Central Asia will increasingly merge in the mass consciousness with their neighbours outside the former USSR.

For the obvious importance of relations with their immediate neighbours, the CIS countries, however, will not become the main focus of Russian foreign policy, but will continue to be one of the areas of economic and political interest in the future as well.

Russia, integrating into the global world, has left the imperial period of its development behind. There will be no new "edition" of the empire. The formation of the Russian "center of

power" not only stands among other geopolitical tasks - the creation of a "Greater Europe from Lisbon to Vladivostok" or the development of the eastern regions of the Russian Federation and Russia's occupation of a worthy place in the Asia-Pacific region (APR), but also implies, first of all, modernization and economic strengthening of Russia itself. Integration with the CIS countries contributes to this, but only to a certain extent and subject to a realistic, moderately ambitious policy.

There can be no talk of a new “gathering of lands around Moscow”. Even the closest partners of the Russian Federation are not ready to give up their own independence, which they still perceive as independence from Russia.

An eventual political and economic association on a voluntary and equal basis, as it is in the Western part of Europe the European Union, will require the concurrent will of many participants, broad public support, and substantial resources that Russia will have to be ready to devote to the implementation of this project. A particularly difficult task is the transfer of a significant part of sovereignty to a supranational body and the determination of "shares" in the management of the common state. In the foreseeable future - until 2030 - these requirements look impracticable.

In these conditions, Russian policy towards individual CIS countries will continue to be determined not by nostalgic memories or grandiose geopolitical plans, but by the specific interests and needs of the leadership of the Russian Federation, as well as by the actual economic situation.

Integration within the CIS has become a priority project in the context of the global crisis of 2008-2009 and major geopolitical shifts in several regions at once - Europe, the Near and Middle East. In these conditions, the Russian leadership embarked on a course towards self-reinforcement of the Russian Federation. In 2009, Vladimir. Putin decided to accelerate the creation of the Customs Union of the Russian Federation, Kazakhstan and Belarus, and in 2011 he also put forward the idea of a Eurasian Union. Since 2012, the Common Economic Space of the three countries has formally been in operation.

The integration process, which has intensified at Moscow's initiative, can be successful if Russia and its partners pursue a realistic policy. In the future, we will consider the medium-term prospects for such a policy in several key areas: political, economic, military and humanitarian.

The political reintegration of the CIS countries seems to be an almost unattainable goal. "Return to the USSR", i.e. in fact, in a unitary state, does not seem to be a realistic development. You can only move forward, not backward. In the foreseeable future, we cannot speak of the Eurasian Union as a federation, or as a "super state" either. Neither Kazakhstan nor Belarus along with all the other former USSR member states will be ready to give up formal independence in fact in favor of the heir to the former union centre. The only way in keeping a unitary relation is through direct economic interests.

On the other hand, the Eurasian Union as a confederation with an unequal contribution, but equal rights for all its members, is unlikely to suit Russia, whose real economic, demographic, political and military weight is many times greater than the corresponding indicators of its partners.

Nevertheless, further political rapprochement between Russia and other CIS countries, primarily Kazakhstan and Belarus, is necessary and possible. In the context of deepening economic

integration, Astana, Minsk and Moscow have more common interests and the need for closer coordination of policies arises.

The economic integration of the CIS countries is real and is already taking place. Kazakhstan and Belarus get the opportunity to enter the Russian market, the volume of which is 8-15 times larger than their national markets. Russia also gains some significant benefits from access to assets in partner countries.

The path from the Customs Union to the Common Economic Space and further to the Common Market looks not only logical, but also practically feasible. As for the Eurasian Economic Union, it must be borne in mind that a true economic union is impossible without a political union. Since political unification is unrealistic in the foreseeable future, an "economic union", like the Russian-Belarusian "union state" or the EurAsEC, can be a political slogan without sufficient content.

The space of real economic integration in the 2010s includes, in addition to Russia, only Belarus and Kazakhstan. The project of Ukraine joining this space is fraught with serious problems, and for now is halted, due to Ukraine's approach and signing of the Association Agreement with the EU.

Expanding the space of integration in the direction of Moldova could make sense only in the case - in my opinion, unlikely - joining the integration process of Ukraine. Chisinau, apparently, will preserve the common European vector, while the status of Tiraspol, its enclave position and the relatively small size of Transnistria do not make the Left Bank of the Dniester an independent integration partner for the Russian Federation. In the absence of a solution to the Transnistrian conflict, Transnistria will remain primarily a recipient of Russian gratuitous aid. If, on the contrary, the age-old conflict on the Dniester can be resolved, Russia will be able to strengthen its economic positions throughout Moldova, even if the country continues to focus on the European Union.

The situation looks different with two other regions that proclaimed independence and, unlike Transnistria, which received recognition from Moscow, Abkhazia and South Ossetia. These regions have long been virtually integrated into the economic space of the Russian Federation, but their international status will remain flawed until a full-scale peaceful settlement with Georgia takes place. So far, Sukhum and Tskhinval - with the help of Moscow - have achieved only independence from Georgia.

After leaving the CIS in 2009, Georgia itself did not return to Moscow's orbit - there is a consensus on this score within Georgian society. Azerbaijan, which relies on its own hydrocarbon resources, will continue to stand apart from any plans for economic integration in the CIS. Armenia, poor in resources, having no common border with Russia, will also remain outside the integration space. The expansion of this space in Central Asia is, in principle, possible in the direction of Kyrgyzstan and Tajikistan. If a political decision is made in Moscow and the Central Asian capitals, the membership of these countries in the Customs Union can be formalized relatively quickly in form of better commercial treaties.

At the same time, for full participation in the process of economic integration of Kyrgyzstan and especially Tajikistan has a long and difficult road ahead. It is not clear that both countries will actually be able to pass it. Therefore, it is more expedient for Bishkek and Dushanbe to maintain a kind of associated status with respect to the CIS states during the transition period. Such a status

could be given, for example, by membership in the EurAsEC - if this structure is reorganized into a kind of "preparatory class". If, on the contrary, the issue of Kyrgyzstan and Tajikistan is resolved by wilful means, this will weaken the CIS.

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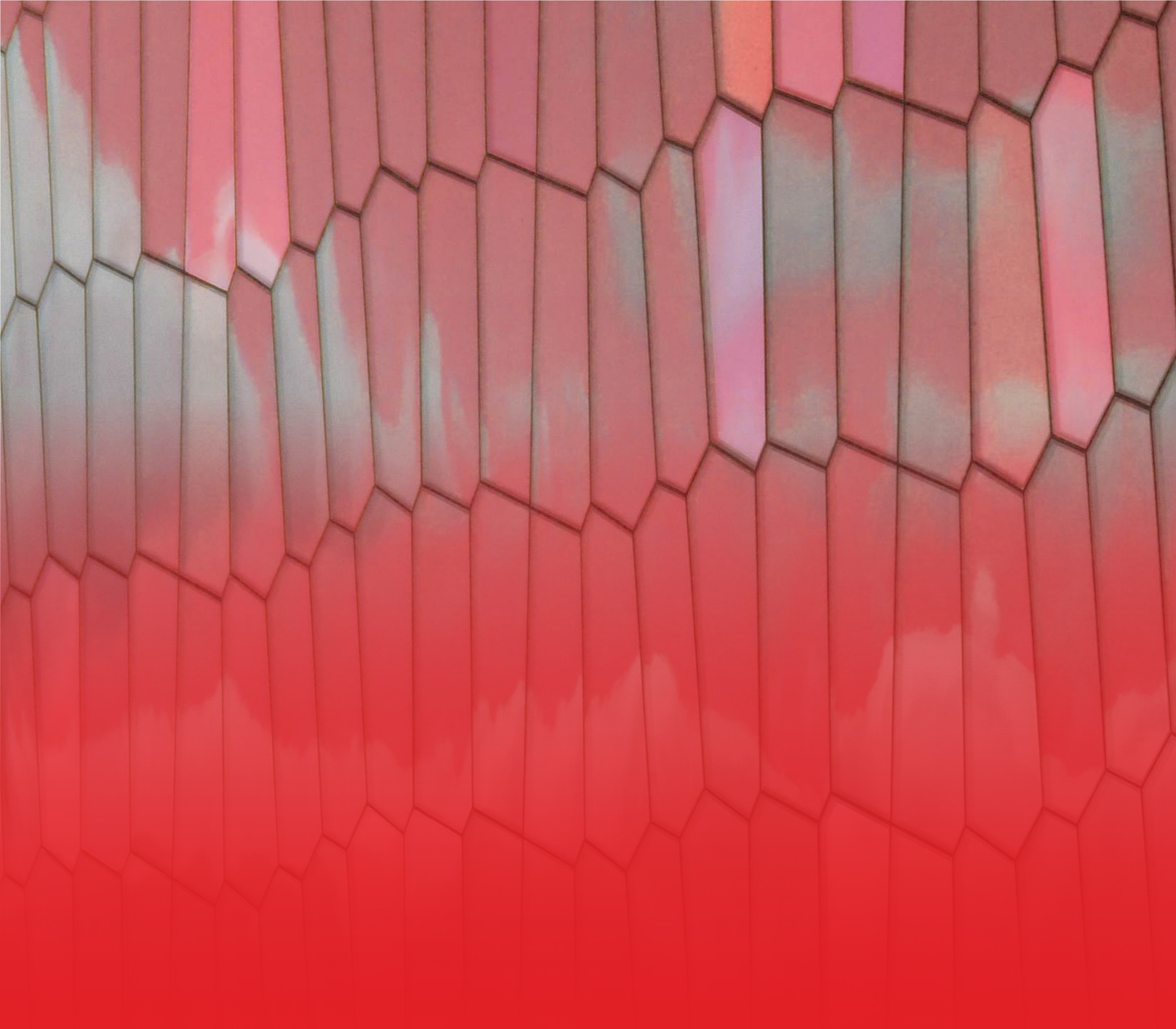
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